

The Motley World of "International Values": Modes of Production on the World Market

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Abstract

I venture to describe the world market from the viewpoint of those different extant modes of production which deliver commodities in "foreign" trade. The world market is, then, understood strictly in its basic feature, as a market for material products, all called *commodities*. The term "exchange", which has to be used with some indeterminacy to begin with, is explained in greater detail as I proceed. In this regard, the most important sections are nos. 2 and 3. The term "modes of production" will also be clarified in due place, and primarily in Sections 9 and 10. I find such a concept necessary for an adequate background description of the products which are poured onto any market. I primarily analyze the capitalist mode of production through the concept of intensity of labour (cf. 4 and 9), which plays a main role even in Marx's theory of the "modifications" of the law of value on the world market. Also, I find what is often labelled "Karl Marx's theory of international values" to be correct in its foundations, and I will take a point of departure in it—especially apparent in sections 1, 2 and 3. A target for criticism in this article is the modern mainstream theory of "factors of production" in so far as it is found feasible for an analysis of the movements on the world market. This is briefly done in Section 8. In Section 6, I consider David Ricardo's theory of "comparative advantages" as a counter-example to that theory. I use some terrain to show that the *real* historical and social background of the economic functioning of the so-called "factors"—capital, land and labour—must be a measuring rod for whether a factor theory is viable or not. To do this, I depend (cf. again Sections 9 and 10) to a high degree of Marx's theory of those factors considered as forms of organized class forces—a viewpoint which played a central role in his preparing of the three volumes of *Capital*. While the Marxian theory insofar is adequate, it is also useful in analyzing the aborted or undeveloped state of those modes of production which, beneath the advanced capitalist one, supply the world market with material products. This ought to become clear especially in Sections 10 and 11. As my text expands, I try to show how the said inconsistency in the Ricardian model is based on self-contradictions in value theory, especially in his thoughts about money and prices. I also try to show that Marx's criticism of Ricardo's value theory has a potential to overcome precisely these weaknesses: the fact that these last are mostly ignored in contemporary literature, represents the perhaps most deadly threat against competent socialist theory-building today. This makes it appropriate to comment on some extant, typical Marxisant attempts to understand Marx's position (cf. Section 5). The theme in itself, on the other hand, is tentatively being analyzed primarily in Section 7.

Keywords

Unequal Exchange, Marxist Analysis, International Trade, Intensity of Labour, Differences in Modes of Production

1. Introductorily: A General Focus on a Marxisants' Debate

In the discussion on "radical" political economy in the last third of the 20th century, Karl Marx's theory of foreign trade was to some extent overshadowed by the debate focusing on theories whose interpretation of a "labour theory of value" implied that workers' wages in some fashion had to be taken as an independent variable. In fact, this was a tendency that was grounded not only in misunderstandings of Marx's theory of value and money, but also in David Ricardo's presupposition that the value and material content of the real wage was the source of profits and land rents—and consequently for analysis of the distribution of riches to the three main classes of society—classes whose existence by later mainstream theory was being hidden in the conceptualition of what was called the "factors" of production.

The most acclaimed of these works, as regards the field of foreign trade, was Arghiri Emmanuel's book *L'échange inegal* from 1969, which the author called "a study of the imperialism of trade" (cf. [1]). In fact, scores of Marxisant authors wrongly presupposed that Marx had a theory of unequal exchange on the world market, of which Emmanuel was a worthy representative. Likewise, many Marxisants believed in Emmanuel's main methodological point, namely, that each and every nation, regardless of other circumstances (geographical, historical, sociological) owed its degree of economic strength to the heigth of the prevalent wage level. In this theory, the wage was certainly an independent variable.

Emmanuel, adopting the traditional separation of world economy into "rich" and "poor" countries, accepted that an "unequal exchange" can only be one of several mechanisms which stand for tansfers of values between members of one group of countries to those of another, and that its direct effect was responsible just for a part of the difference in standard of living in the two blocs; but still, he held "unequal exchange" of material commodities to be the elementary mechanism of transfer, which as such enables the developed countries to regularly start up the uneven development which is characterized by igniting all other mechanisms of exploitation, fully explaining the forms of distribution of wealth (cf. [1], p. 65).

There was a rational point to this view. The analysis of world trade, as long as it concentrates on imperialism as a basic *bourgeois* phenomenon (cf. Emmanuel's Marxisant stance), would have to start with a theory of exchanges of *commodities*, *i.e.* exchanges of the form-determination which Marx calls the cell form, or elementary form, inside bourgeois society.

Any transfer of value, outside of the one accomplished by concrete labour in the production process, has its background in an exchange (in the wide sense of the word) of commodities. It would seem to be a fair presupposition that transfers of value in the form of loans, advances, interest etc. should be investigated with a point of departure in such a basic form. Actually, Emmanuel had some important methodological points to make in that respect.

Even though Emmanuel's presuppositions are definitely at odds with those of Marx, the point accentuated above in itself is quite in line with the way of thought that is behind Marx's approach, albeit the latter is not directed at explaining "uneven development" in general. When Marx takes the world market into analytical consideration for the first time, it is connected to his investigation of immediate commodity production (and the structure of international wage levels) inside the first volume of *Capital*—probably because he wants to study the theme in a conscious abstraction from streams of credit, which are thematized only in the third volume of the work.

Otherwise, progressive bourgeois theoreticians (of which Emmanuel is a sample) obviously take a point of departure quite alien to the one of Marx. His actual stance is frequently misunderstood. To begin with, consider the following remarks from Chapter 20 of the first volume of *Capital*, "National differences in wages". Marx

here insists that the law of labour values is subject to certain modifications in world trade:

In every country there is a certain average intensity of labour, below which the labour for the production of a commodity requires more than the time socially necessary, and therefore does not count as labour of normal quality. In a given country, only a degree of intensity which is above the national average alters the measurement of value by the pure duration [durch die bloße Dauer] of labour time. It is otherwise on the world market, whose integrating parts are the individual countries. The average intensity of labour changes from country to country; here it is greater, there less. These national averages form a scale [bilden also einen Stufenleiter] whose unit of measurement is the average unit of universal labour. The more intense national labour, therefore, as compared with the less intense, produces in the same time more value, which expresses itself in more money ([2], p. 702, cf. [3], p. 584).¹

Although the main focus here is on wages, the content is valid for all movements on the commodity world market. We shall now explain why they *de facto* stand for a criticism of most applied money theory of the day, and certainly of Marxisant theories of foreign trade.

2. The Concept of Money and the Functioning of Gold

Let us use this contention of a clear discrepancy between Marx and modern Marxisants to analyse the passage in question—and first, with a point of departure in the themes of "money" and "universal labour". When Marx operates with the latter term, it is not (as one might have believed) a new concept being introduced *ad hoc*. For the origin of the term "universal labour" is to be found in section c) "World money", in Chapter 3, "Money or the circulation of commodities", in Marx's work *Zur Kritik der politischen Ökonomie* from 1859 ([4], pp. 125-128). "World money" is the money commodity in its form of being available to people from all nations on the world market. Consequently, we are not treating of coined gold (which would have brought us back to a confusion of the Babel type), or perceiving gold as belonging to a specific national currency. In this very problematic, the secret of the concept of "world money" is unveiled: It can only be the money commodity without coin imprint—that is, bullion, gold bars. (In this consequence, Marx is on line with David Ricardo's brilliant scrutiny of the function of bullion pure and simple.)

Marx writes that as soon as money ascends "the domestic sphere of circulation", *i.e.* enters the foreign sphere, it:

falls back into its original form of precious metal in the shape of bullion. In world trade, commodities develop their value universally. Their independent value-form thus confronts them here too as world money. It is in the world market that money first functions to its full extent as the commodity whose natural form is also the directly social form of realization of human labour in the abstract. Its mode of existence becomes adequate to its concept ([2], pp. 240-241, & [3], p. 156).

In the text that then follows, Marx underlines in diverse ways how world money functions as "universal wealth". It becomes clear that no other world money is possible save bullion. The bar *form* is necessary because it characterizes the precious metal as a (formed) *product*, and therefore as a product of human labour, and further can be amassed as such a form in relatively large quantities. In that manner, as bars, the gold can function in clearly delimited unities of weight and volume, and thus function as *numéraire*, standard of prices, for the commodities. Therefore, gold in bar form is the form of appearance of abstract labour (*i.e.* Marx's concept of labour as producer of exchange *value*) in a universal context. The value of any commodity is a specific amount measured extensively and intensively—of living labour. The exchange ratio between two commodities can be shown in precise manner, and not only as a representation, but also as real and material.

The existence of such a universal wealth, and, all the more, in the "form" of a "content", *i.e.* as an actual comparable unity, is what determines the generation of the category of universal labour. Since experience shows that world money does exist, there has to exist a value-producing labour that counts as universal labour. It is this labour which makes up the measuring unit for for different national averages of quantities of value (abstract labour content).

¹All italics added for both editions. Translation amended, for two critical errors: Marx's "bloße Dauer", here "pure duration", is rendered "same duration" by Fowkes. (Cf. also comments below, where the concept of intensivity is also taken up more in detail.) Furthermore, Marx's "integrierende Teile", here "integrating parts", is rendered "integral parts" by Fowkes. Marx's original tells us that the world market, in addition to having *countries* as its "parts", also has its form constructed by an *integrating movement* between countries.

bour time) in a given common piece of weight. Just like what is the case inside national economies, where abstract labour appears most adequately in gold produced by a national average intensity-and-productivity, so universal labour is most adequately expressed by the existence of a gold-producing labour which compares national averages on a scale.

It becomes clear that it is untenable to think of national currencies, like the US dollar, or US-bonds or "T-bills" ("Treasure bills"), as world money, in the way it is often done. Such forms are only a specific type of currency materialized in paper. World money, contrariwise, is imagined abstract labour, *i.e.* clearly defined with the help of a product of labour. On the other hand, it is of course a fact that different guaranteed papers can at any time serve as auxiliaries for the realizing of specific functions adhering to world money—such as speedy transfers of bullion, be it in material or symbolic form.

For the understanding of Marx's concept of world money as well as his view of money in in general, one has to realize that money must be defined as imagined gold.

On the face of it, it is easy to see that there is nothing odd to such a description, since gold cannot be money by its nature. Clearly, money is a social form determination—a form being related to something material.

But albeit it is nonsense to identify gold with money in an analysis, simple understanding has often tried to accomplish precisely that. According to Marx, it is even a necessary feature in capitalist production that such an identification take place, and tends to become a *Volksvorurteil*, a popular prejudice. Thus it is not surprising that many take the position that to have a theory that money is gold, one must imply that gold be present in every economic transaction.

One historical background for such a socially valid mystification lies in the fact that gold once physically was used as means of circulation. Also, the gold's actual role as such a means originated in its function as a hoard (tesauration) and through its existence as plain *commodity* (not just as plain product pure and simple, *i.e.* not just as *use* value).

The gold's immediate physical presence in circulation was almost entirely abolished before Marx published *Capital*. There existed a so-called gold standard, *i.e.* a claim that states could be reponsible to one another in transactions, to the degree that they could claim bank notes (paper money) to be replaced by gold. Later, the remnants of the gold standard have been sublated (partly through the Bretton Woods agreement of 1944, partly through president Nixon's declaration of a *de facto* US state bankruptcy in 1971, in which its last form, the liability of the US government to exhange dollar to gold vis-à-vis other states, vanished).

It has been a common belief that the money system in some way or other has lost its connection to gold after 1971. Surely, that is to attribute infinitely too much power to a handful of Washington officials. On the contrary, the money-gold unity is rather more decisive today than it has ever been.² The mass of commodities which has to circulate on domestic or international markets, has long since grown to such extents that it is unrealistic to suppose that the money needed to circulate them, should be guaranteed directly in gold; consequently the gold bars do function in monetary matters exclusively as national or international reserves. On the other hand, it is no less necessary than before. Furthermore, the status of commodities as imagined gold has not ever been dependent on the physical presence of that gold. To imagine any commodity as an amount of gold is only dependent on 1) the power of imagination itself, and 2) that gold is present in the world as something to be perceived materially, verified, and imagined as such. *Au fond*, it is in this last respect that the development of a specific, homogeneous matter in bar form is so important: It is a defined product, and as such the recognized point of departure for a representional abstraction.

3. The Concept of "Exchange"

If we want to study an object like a possible "unequal exchange", we are certainly bound to check the content of an exchange *tout court* and in general, be it equal or unequal. A precondition for the viability of such a theoretical construction must be that one can determine in which proportion two commodities are exchanged on the world market, and that some regular non-equivalence of value-magnitudes is apparent in it.

However, what we observe in such cases is just that different commodities are *sold* to customers in foreign countries. Or also, since sale presupposes purchase and vice versa, we observe customers *buying* a commodity.

²A subsidiary point is that globalization, and the increased amount of commodity circulation which follows from it, does not in itself imply any tendency to a "escape from gold". Historians of economy have pointed out that it might be right to take present-day globalization as a kind of return to a liberal world order, the *Pax Britannica* and the gold standard prior to World War I. Cf. Harley [5].

That is, we do not observe two commodities being exchanged against one another in the barter-like fundamental meaning of the word.

That a commodity is sold, signifies that it has been alienated for money, and that somebody has alienated money for it. But it is wrong to say that it has been exchanged against money, or vice versa. It has not been exchanged for money as a commodity, but "sold", alienated, for imagined quantities of gold. As Marx points out in his work from 1859,

nothing can be more erroneous than the presentation (Vorstellung) that money and commodity inside the process of circulation step into the relationship of immediate exchange (des unmittelbaren Tauschhandels treten) and that their relative value is mediated through their exchange (Austausch) as simple commodities (Marx [4], p. 72. My translation.)

This remark is equivalent to his comment in Capital I, to the effect that

[t]he difficulty lies not in comprehending that money is commodity, but on the contrary how, why and through what commodity becomes money ([3], p. 107).³

Put briefly, this means: That a thing is money, signifies that it is not-exchangeable inside simple circulation. Thus, money is a material-social phenomenon incorporated in a specific processed matter, it is a measure of value and a standard (*numéraire*) of prices; from this basis, in its relation to other commodities, it is capable only of circulation.

As implied above, to be in the position to circulate commodities in its ambience, money has itself to be incarnated in some commodity. For money cannot enter the world of commodities without itself having their common substance.

Thus the world market is not (just as little as a national one) a sphere where products are "exchanged" inside the simple circulation, but where they circulate, so to speak, around a golden calf. That a commodity circulates, means, in Marxian language, that it is allotted, without exchange, to a certain quantity of gold.

Money, then, stands forward as integrated in such a quantity of gold—as in a certain weight of precious metal. That the commodity *A* has a "price" is a sign of this fact; it means that *A* is evaluated to be a certain physical quantity of this specific other commodity. That the commodity *A* circulates, means that it can be bought or sold like any other; consequently, circulation means that any commodity can compare itself with any other. That two different commodities have the same *value*, means that an identical quantity of socially necessary labour time has been consumed productively in their generation. But that two commodities have the same *price*, means that they can be counted and calculated as identical with one and the same physical quantity of gold (the standard, *numéraire*). Already at this point it can be anticipated that two commodities on the world market may have the same price, but still express two quite different values.

Now, as regards this simple commodity circulation (Marx's *einfache Warenzirkulation*), in its international form, the whole case is based in the fact that universal labour implies a measuring (and comparison) of given national differences on a scale. The presence of a scale means that there is no dynamic or unifying principle to be found in the competition on the world market. Inside a developed capitalist nation such a principle makes itself felt through the tendency of prices to adjust uniformly according to exigiences of an average rate of profits, whose level is determined by competition 1) inside branches as well as 2) between branches. These two points imply that 1) there is established a certain socially necessary labour time for a *certain physical* mass of products, and 2) there is established a certain average rate of profits which in principle can be afforded by firms in *any* branch inside capitalist production, *irrespective* of the different compositions between mass of living labour and mass of capital goods in those spheres. Ideally, all capitalist products can then be sold at what Marx calls their "production price".

³My translation. The German original runs: "Die Schwierigkeit liegt nicht darin, zu begreifen, daß Geld Ware, sondern wie, warum, wodurch Ware Geld ist" ([3], p. 107). The translation in Marx 1976 has: "The difficulty lies not in comprehending that money is a commodity, but in discovering how, why and by what means a commodity becomes money" ([2], p. 186). This translation seems to me erroneous. There is no question in this Marxian text of how money becomes commodity or vice versa, but how the two already *are* each other. For instance, there is no question of which commodity takes the role of money, but of its money-existence, given already, which makes it possible for it to turn into any commodity. So to speak, the commodity is money "by second-nature" as soon as it is placed inside a commodity equation. It belongs to the money substance, is an *accidens* of that substance, and can here be only understood and comprehended as such.

4. First Comments on the Concept of Intensity of Labour⁴

A first, approximate definition (but a very insufficient one, as we shall see) of a world market might well be that it is the meeting place of commodities that all are produced according to the rules mentioned above, but in nationally diversified circumstances (different intensity and productivity levels).

The very acceptance of such a possibility, logically acceptable as it is, shows us at least that on the world market, there cannot exist anything like such an equalization of profit rates as the one we have ben considering. The equalization must take place in a national frame (of which still more later), and the world market is by definition a common contrast to national frames or nations.

On the world market, defined as an institution for buying or selling of at least two products from two different nations, we have before us only what we might call a static competition between productive firms from such different nations. This means, with an expression which Guenther Sandleben makes use of in an outstanding overview, that there does not exist any "average intensity" on the world market:

In contradistinction to the relations inside a country, there consequently does not exist on the world market any globally valid "socially necessary labour time", an entity which has precisely "an average intensity" among its preconditions ([6], p. 9).

Also, Sandleben points out that it is not only the national intensities which remain standing side by side on a scale on the world market. For if we, setting out from the lack of middle intensity [mittlere Intensität] can conclude that there does not exist "a global social necessary labour" ([6], p. 10), then the scale-principle has to be valid, here on the world market, also for the other factors entering the definition of "socially necessary labour time" inside a nation. According to Marx's original definition in the first chapter of *Capital*, these are certain "socially-normal conditions of production" which underpin a definite degree of productivity of labour inside the nation, such as scientific and technological levels, and (we must assume) social infrastructure. On the world market, these factors are either missing or significantly modified, and already for such reasons a dynamic form of *commodity* competition is out of the question.

Thus, in the wake of his remark on how a more intensive national labour will express itself in more money (gold), Marx contends that

...the law of value is *yet more* modified in its international application by the fact that, on the world market, national labour which is more productive also counts as more intensive, as long as the more productive nation is not compelled by competition to lower the selling price of its commodities to the level of their value ([2], p. 702 & [3], p. 584).⁵

This result is reasonable. Even as resultants of competition inside branches (or "spheres") in a national sample of the capitalist social formation, there will be cases where one or more capital(s) acquire(s) a supreme productivity that allows for selling commodities far above their individual values. In such cases, the augmented productivity counts as if there was produced a larger amount of values, *i.e.* (as we shall substantiate in the last sections of this paper) as a rise in intensity. But as a rule, such phenomena will in such cases be overcome by competition. That is not so easily done on the world market, since here it is national capitals—or national wealth-forms of other character—with completely different infrastructures in the background, which oppose each other.

It is clear, then, that Marx's theory cannot be used to argue that there takes place an equalization to an average rate of profits on the world market. On the contrary, single nations originally stand, as capitalist *or non-capitalist* economies, unmediated against each other, and at most it is only slowly and in the long run that, *on this market*, there opens up possibilities of equalization of productivities (or intensities). And, we might add, when that happens, it is not through a mechanism of competition via production prices as is the case inside a nation with *developed* capitalism.

Therefore, it is not the case that single capitals (Marx: *Einzelkapitale*) have a priority in exchange (via buying and selling) on the world market. On that market, in its selling and buying, a singular capital represents a national total capital; that is its primary characteristic as far as that market is concerned. This is clearly revealed in the fact that all single capitals of a given nation fall back on the use of its original national currency.⁶ This cur-

⁴See title of Section 9.

⁵Italics added. Evidently, to make the point in its pure form, and in accordance with the limitations of the exposition in the first volume of *Capital*, Marx abstracts from production prices, and also isolates intraspherical competition.

rency has a "value" (as the expression goes) which is connected with, and corresponds to, the average labour productivity and labour intensity of its nation. In the nominal exchange rate between currencies it is expressed how much gold a given amount of labour hours inside a nation can produce in comparison with what is the case in other nations.

In this way, as it is expressed by Marx, "the more intensive national labour, ... as compared with the less intense, produces in the same time more value, which expresses itself in more money" (cf. again [2], p. 702 & [3] p. 584). That Marx ties the measure-unit of "universal labour" directly to this constellation, must mean that "money" is used as a synonym for gold material. Consequently, it seems that Sandleben commits an error when he says that these movements presuppose that "the value of money remains constant" ([6], p. 10). For irrespective of the question as to whether it takes more or less time to produce a certain weight of gold material, the value, which always is exchange value, of any other commodity will still have the same relation to the quantity of labour used in the production of gold. The reciprocal relations of commodities, *i.e.*, their relative prices, will be the same.

At this point, there is not produced evidence regarding a possible "unequal exchange" on the world market. What is evident, is that the abovementioned, different national averages of what Marx calls the organic composition of capital (OCC, for short), do not appear as visible entities on the world market. The OCC is, for any productive capital, a functional unity of 1) the technical composition, of mass of workers in relation to mass of means of production, as well as of 2) the [corresponding] value composition between wages (as variable capital) and objectified capital.

Since OCC for historical and technical reasons differs considerably between different branches, the surplus of each branch inside the *national* economy has to undergo changes in the processes of competition, which goes even for the nominal prices (changed values) of any piece of objectified capital. These modifications Marx treats without difficulty (albeit with unclear language) in Chapter 9 of the third volume of *Capital*, casting shame on all those who until this day are lamenting about an alleged "transformation problem" regarding the relations between values and prices in his system.⁷

OCCs do not come directly to the fore in international trade, in contradistinction to what goes on on the national level. Inside a given country, the rate of of the surplus on capital, taking the form of the *average rate of profits*, can actually even be observed directly in a capital with an average composition. When a commodity produced inside a *developed capitalist nation* is laid out for sale on the world market, its price is set not according to its relative OCC, but according to the relative productivity and intensity of labour in all branches on a national level.⁸ That this is so, follows immediately from the fact that it is priced in the nation's own currrency, which reflects those average domestic conditions.

Now, this may in general not make much difference for the producer, since the relative average of OCC always is reflected in productivity and intensity. Countries with a high OCC are precisely countries with a high productivity and intensity.

Inside a national economy, through the competitive movements mentioned above, capitals or spheres with a high composition can "compensate" for their relative low share of variable capital. But the precondition for this is a complicated historical process, incarnating the very construction of a capitalist social formation, with an average rate of profits, an advanced system of soil prices, etc.—which cannot inmediately be traced on the world market: Thus, in foreign trade it is not primarily the composition of capital, but immediately labour productivity and intensity itself, that counts. In addition to being rewarded for a high productivity-and-intensity, an advanced capital can keep hold of monopoly rents, and thus rise its individual prices. But it cannot expect a windfall profit directly as a result of pecularities in its OCC. Here, there lies an immediate temptation for advanced capitals to pass on to pure imperialist policies, seeking support from their own state apparatus to maintain on the world market the position which they without extra-economic force possess on the domestic market.

It is difficult to understimate the theoretical value of Marx's theory on "the international application of the law if value". It deserves to act as the very fulcrum in a renovated and revived theory of the imperialist aspects of capitalism, or at least of a general analysis of the interaction of all economic systems expressed through na-

⁶It is of course clear that (e.g.) a US capital can place an FDI in China and export commodities from that country, benefiting greatly on an undervalued Yuan. However, the FDI itself relies on the dollar, and so does the accounting of the final mass of profits.

⁷Cf. "Bildung einer allgemeinen Profitrate (Durchschnittsprofitrate) und Verwandlung der Warenwerte in Produktionspreise" ([7], pp. 164-181).

⁸That is, both interspherical and intraspherical competition is in the picture. For reasons which will appear, even non-capitalist production inside nations will count here—a possibility from which we abstract for the moment.

tions which approch each other on the world market.9

The imperialist export of capital which we recognize as an essential element all the way back to and from the international crisis of 1873, goes necessarily back to an international trade with use values garmented as exchange values. These commodities, aimed at individual or productive consumption, be it in rich or poor countries, are what capitalist imperialism *basically* needs to function—as the prevailing core behind the nebulous shadows of "financialization".

5. Motley Reasoning among Marxisant Authors

We shall now try to expose the heart of the matter *via negativa*, by dragging contrasting views into the picture; these will be views that are influential in the debate of a special interest for us.

In an acclaimed textbook-work by Ian Roxborough one reads:

In *Capital*, Marx presupposes the equal exchange of equivalents, that is, a commodity embodying X hours of socially necessary labour-time will exchange with another commodity, embodying the same amount of socially necessary labour-time ([7], p. 60).

Let us first concretize these theses, which are valid only under the simplified conditions Marx makes in the two first volumes of *Capital*. For, according to what has been shown above, one should remember that such an exchange of equivalents will take place only in the case of two commodities being produced by capitals which both work under social average conditions. In addition, we should remember that we are talking about circulation, so that the "exchange" is no barter-like relation, but a transfer mediated through money.

Roxborough continues with the following passages, apparently presupposing that he himself makes use ofcommon knowledge about a Marx-based theory:

There are a number of different theories of unequal exchange. What they have in common is a proposition that labour is rewarded unequally in different parts of the world and hence identical commodities may embody different amounts of socially necessary labour-time. When one commodity is exchanged for another, behind the transaction is an exchange of a greater quantum of socially-necessary labour-time for a lesser. The exchange is unequal and works to the disadvantage of of the underdeveloped countries. The same amount of labour-time may be embodied in each commodity, but the remuneration of that labour is different. If the value of labour-time is the cost of its reproduction, that is, a certain basket goods at any determinate historical epoch, then more value goes into the commodity produced in the metropolis (real wages are higher) than into the identical [sic!] commodity produced in the periphery. So that a commodity which embodies X days labour is exchanged against an identical commodity produced in the Third World which embodies more than X days labour [...]. This is the essence of the unequal exchange ([7], pp. 60-61).

Here, we are presented with an unjustified use of a series of categories, such as "underdeveloped countries", "third world", "metropolis", and "periphery". Also, these expressions are not explained anywhere else in Roxborough's book. Nor is it explained how the author can accept a thesis to the effect that an "unequal exchange" may be to the detriment of "underdeveloped countries", without first evaluating if such an exchange might be what leads to the very definition of "underdevelopment" in a country.

Still, let us nonetheless concentrate on other contentions in this very problematic text.

First, regarding the attempt to make a point of departure in the "reward" of labour in explaining an unequal exchange: as we can see, Roxborough combines his thesis with a concept of "the value of labour-time". But labour time cannot, no matter which theory we are investigating, have a value. Concretely, it is, contrariwise, through labour time that value is *created*.

Furthermore, a contention presupposing that the reward of "labour" (ought to be: of labour power, if consistency is aimed at) has nothing to do with the fact that "identical commodities can embody different amounts of socially necessary labour time. On the contrary, it is important that a product does not take the form of an exchange value if it is not to be exchanged against another, and non-identical product. When Roxborough actually wants to argue starting from a situation where identical commodities are exchanged against each other, the misunderstanding is of a format that scarcely makes any reasonable criticism viable.¹⁰ Still, there is certainly room

⁹I have done such an attempt in Sandemose, 2010 [23].

¹⁰It is worth mentioning that Paul Cooney points out that Samir Amin, an eager discussant of the theme of "unequal exchange", commits precisely this error (see [8], p. 247).

here to point out that the value created in the course of a given length of labour time does not stand in any rational relation to the value of the wage goods, as Roxborough seems to think. We are obviously talking about incongruent magnitudes.

In fact, Roxborough's focus on such a theory might well be meant as a tribute to Emmanuel, whose influential theory, as we have seen, was built precisely on the difference of wages in poor and rich countries respectively.

As a parallel example of uncritical repetition of presuppositions, all too often present in Marxisant models, let us look briefly at Minqi Li [9]. Here, unequalities of exchanges on the world market are taken as given, *i.e.* the "unequal exchange" is simply presupposed as an institution. The author further says that the "value added" consists in what each state can gain in the exchange (where the unequality consists in one state gaining more "value added" than the other). This kind of "value added", Minqi says, the state will split in wages and profits. Poor states will be coerced to pay lower wages than richer states, and so he can point to a correlation between high wages and rich states, and vice versa ([10], p. 430). But alas, of course every presupposed causal connection is here taken completely out of the blue. As if he willingly was trying to expose himself as a vulgar economist in the highets possible degree, Li adds that the wage, this presupposed but unexplained independent variable, is not determined by socially necessary labour time at all:

The wage rate, or the price of labour power, is, like the price of every commodity, determined by "supply" and "demand", ...([9], p. 431-432).

While Li presents himself as a Marxist, and as such (on the pages of a self-declared "Marxist" journal), he should, of course, be informed of the fact that for Marx, the value of labour power, determined through the socially necessary labour time being spent on the production of the wage goods, is certainly not determined by abstract "social forces" (to which Li actually takes explicitly refuge). However, we have shown (in the case of Emmanuel) that there is no rational connection at all between wage rate and labour time; so why should Li's explanation be any less rational?

As to Roxborough's misunderstanding of the claims of any theory on exchange on the world market, it is being underscored by the following contentions:

Once it is accepted that equal amounts of equally productive and equally skilled labour, with identical technology, are rewarded unequally, (that is, that real wage rates differ from one country to the next), then it is no longer possible to assume that the measure of value—socially necessary labour time—has any unique value. Marx's assumption was that, at any given historical period, the notion of a single value for average wages was a meaningful one. This was to be the measure of value. Once it is accepted that real wage rates differ greatly on the international scale, this assumption is untenable ([7], p. 61-62).

Again, this gives the impression of being fierce imagination, beyond control. Marx's theory has nothing to do with conceptions like these, as we shall presently see.

As already remarked, time, irrespective of what one wants to call it—"measure of value" or whatever—cannot incarnate value. Besides, the expression "value for average wages" is totally without meaning in a Marxian context.

In fact, Roxboroughs reasoning, precisely like Emmanuel's, Li's and others', tacitly takes as given what should first be shown, namely, that the economic inequality between nations are grounded in wage differences. Consequently, he manages to construct an "unequal exchange" which operates with all (or potentially all) other factors as equal. But it is meaningless to take the work performances in a poor country, respectively a rich one, as "equal amounts of equally productive and equally skilled labour, with identical technology". For all empirical facts tell the contrary story: The difference between such sets of countries lies in significant gaps in technology and/or labour skill and productivity. And to explain such facts, one has to make concrete historical investigations, which—among other things—explain the conditions of work, wage work included.

Let us now look briefly on still another Marxisant-minded exposition in case, Paul Cooney [10]. Cooney stands for the view that "unequal exchange" cannot be regarded as a primary mechanism in explaining underdevelopment. But at the same time, it turns out that he both accepts such a concept at its face value, and that his image of such an exchange is curiously extensive: It seems that it encompasses every regular transfer of value from "periphery" to "metropoleis", especially transfers of money. Methodologically, it is of interest that he wants to transcend international trade as a "standard field", because the more cogent questions are tied to accumulation and the capitalist laws of motion on the level of international economy; these, he finds, are not limited to trade, but have to include investments, financial flows and migration (cf. [10], p. 249).

This might count as a textbook example of spontaneism and economism in social theory. It should be quite clear that one must seek to analyze composite phenomena through discussions of more simple phenomena. Otherwise, the consequence may be not only a misunderstanding of the totality, but also that one shamelessly escapes from the true problems.

For instance, it is fair to expect 1) that accumulation takes place through employment of certain material elements, or physical commodities; accumulation may be based on commodities acquired through import, that is, on the world market. If there is an "unequal exchange" on the world market, it will appear at this point, and it may even well have a decisive influence on accumulation; we do not know about that before we have taken pains to investigate it. Furthermore 2), it is certainly the case that financial flows take place to initiate investments (primarily from rich to poor countries, but even the other way). Those investments which are basic for economy and development, will always, wherever they take place, be investements in material production. Insofar, it is clear that the eventuality of the products being sold on the world market, and to which price, will be of interest. Such evaluations will always be in the picture for investments involving transfers on the world market. Also 3), the question of migration is not at all unessential in relation to commodity trade on the foreign market. The costs that a certain group of migrants have to deal with inside a country, irrespective of the direction of their journey, may well be dependent on the price level of consumer goods, which are often a result of international exchange. Still more important is the fact that an analysis of commodity exchanges may take part in a conceptualization of the very nature of migration. For instance, the class dynamics between the three main groupings inside a developed capitalist society is detrimental to emigration, as we shall see in a moment. But quite the other position may dominate in a non- or semi-capitalist country. In both cases these will be structures that are pointed out through analyses which take their point of departure in the position of commodity production inside the nation in question.

A further criticism of Cooney's views can be tied precisely to a point inside 3) above: Cooney criticizes the world market theories not only of Emmanuel, but also of Samir Amin plus the one defended by Ernest Mandel in his *Der Spätkapitalismus* (1972) [11]—to be counted as a "leftist" classic nowadays. He points out that while Emmanuel and Amin discuss "unequal exchange" as if it rounded off an aggressive competition where different national capitals get their profit rates equalized to an international average rate of profit, Mandel on the contrary maintains that there does not exist any such movement on the world market.

Mandel's thesis is correct insofar, and it has minor importance that the reason he gives is rather weak–a fact that Cooney does not overlook. It is more important that Cooney actually contends that there does exist a tendency to an internationl average profit rate. He argues from the alleged fact that there exists a movement towards open borders for investments ("foreign direct investments"—FDI), and that this makes it possible for multinational corporations to establish themselves on a broad front in poor nations, something which in practice will rise the latters' average OCC, thus leading to a global equalization of OCC.

However, such an eventual equalization has no inner connection to a possible average profit rate, neither nationally nor internationally. Cooney elaborates his view in a way that makes it temptingly easier to argue that the value transfers between spheres, which, as we know, always go from industrial capitals of low OCC to those of high OCC (namely, since there is relatively more variable capital and therefore relatively more of the valuecreating substance in "low" branches), do not have as great an importance for the "unequal exchange" as Emmanuel contends.

Cooney then considers transfers of value with a background in differences in productivity inside single spheres (branches). It is all too unclear which importance he ascribes to these movements; he then passes on to consider value transfers in the form of repatriation of capitalist surplus and payments of interest on the side of poor countries, etc. With these considerations, he has withdrawn considerably from any sound point of departure in the real commodity circulation on the world market.

The problematic tendency in Cooney's method comes clearly to the fore in his brief remarks on capitalist price formation related to the picture he advocates of the structure of commodity circulation on the world market. Sale of products for individual consumption is not even mentioned in his article, despite the fact that it was just such products, and not exchange directly between capitals, that made up the point of departure for the theory of international trade, as launched by Ricardo.

Now, we shall go back to the structure of Ricardo's analysis, to show how the argument fortifies the Marxian analysis of "money or the circulation of commodities"—at the expense of many a Marxisant viewpoint.

6. Ricardo's Comparative Advantages: Scheme and Theory

Ricardo was the most significant labour-value theoretician up to Marx's time. As a parallel to what the latter did in his main work from 1867, Ricardo, in his *Principles* fifty years earlier insisted that his law of value was necessarily subject to a modification on the world market:

"The same rule which regulates the relative value of commodities in one country, does not regulate the relative value of the commodities exchanged between two or more countries" ([12], p. 82).

It is usually said that Ricardo illustrates the point by means of a model of two commodities and two nations—Portugal and England. He presupposes that the Portuguese economy is more advanced than the English, and that it produces a given amount of cloth as well as a given amount of wine cheaper and more effectively than the latter. In England, 100 hours are needed to produce the cloth, while the Portuguese need only 90. As regards wine, the production in Portugal is relatively still more effective, producing a given amount in 80 hours while the English need 120. Schematically, we get the following, where gold production is added:¹¹

	England		Portugal		
Cloth	100 hours	50 ounces gold	45 ounces gold	90 hours	Cloth
Wine	120 hours	60 ounces gold	40 ounces gold	80 hours	Wine

As a labour-value theoretician, Ricardo contends that the amount of living labour in each of these industries gets an adequate expression in a definite amount of gold. As is seen here, productivity per labour unit (hour), regardless of where it takes place, is expressed in its producing of 1/2 ounce of gold. The concrete work in the clothes industry is qualitatively different from the concrete in the wine sector, but the two can be put equal to another under given circumstances. Here, they are identified as labour inside gold production. Thus it is not correct that Ricardo's theory of comparative costs is based on a two-commodity example. Three commodities are in the picture, albeit one need not postulate anything concerning the geographical production site of gold. Actually, one might open for the term "three-nation-model".

If foreign trade is initiated, Portugal will, after some time, be in position to outcompete the English. The latter will acquire both cloth and wine cheaper than before, if they buy imported goods. England will have to sell the whole amount of cloth for 50 ounces of gold to avoid losses. This sale goes on in English pounds, presupposed to have full coverage in gold. On the English market, the Portuguese can sell the same commodity ten per cent cheaper, weakening the profits on English goods. Portugal can also make exports of wine to England, on even better terms. England will get a relative deficit on its trade balance, and this has to be (*i.e.* is already) compensated by the English transfer of gold to Portugal. (Marx would probably add: "or of silver" since he was eager to underscore that the world market in his time was characterized by bimetallism.) The augmented mass of gold in Portugal would function as a safeguard for all types of currency reserves in the country, so that any Portuguese searching for pounds for buying goods in England has an insurance against loosing wealth through the weaker English currency.

If this situation persists, the proportions between the gold hoards of the two countries will change substantially. The rising mass of gold in Portugal will lead to a rise in price in domestic products, since a unit of the Portuguese escudo will be less expensive measured in gold hours. Contrariwise, in England commodity prices will sink, since every given commodity, through the price of the pound, will be measured in a lesser share of the total quantity of gold inside the country.

This, in its turn, leads to the terms of trade between the two countries being changed to the advantage of England. English goods get cheaper, while Portuguese get more expensive–independently of where the sale takes place, since prices are strictly dependent on labour time in gold excavation, which, like labour time in the other two branches, is supposed to be constant.

Ricardo thinks that such regular movements have a tendency to change the structure in the inner and outer division of labour of the countries in question—at least to some extent. In this case, the consequence is that the capitalist classes of the two countries will act with a background of which "comparative advantages" are present

¹¹The scheme is borrowed from Anwar Shaikh [13]. Shaikh here makes comparisons between the theories of Ricardo and Marx, but the exposition is weakened by the fact that he has no clear comprehension of Marx's theory of money.

in the actual case. On a certain point during England's catching up its deficit, Portugal will reach a point where it sells cloth to a higher price than the English, while the Portuguese still upheld an advantage as regards the price of wine, since the demand advantage was more significant here.

According to Ricardo, the capitalists in the two countries will round off their competition at this level: England will specialise in cloth production, Portugal in wine cultivation. Ricardo's solution consequently has a harmonious aspect to it, but *au fond* his theory is not built on any excessive bourgeois illusions. He was a theoretician prior to the time of bourgeois vulgar economy, with a clear consciousness of class contradictons. In a general sense, his method, and the theory, is acceptable.

Still, some Marxisant writers have criticised Ricardo for holding class contradictions all too much in the background as regards foreign trade. For instance, Shaikh says that he is leaving the class concept and returns to a concept of the nation as a whole, as soon as he turns to the analysis of the consequences of trade (cf. [14], Part I, p. 216).

It is true that Ricardo rather consequently talks of the nations standing opposite each other in the international exchange, not immediately of the capitalists involved. But this is to some extent justified by the fact that on the world market we are confronted with a circulation movement that is different from the one we meet inside a developed capitalist country. Just as did Marx at a later stage, Ricardo held that on the world market the contrahents do not sell and buy their commodities according to rules created by capital developed on the home market. Just as Marx came to do later, Ricardo makes use of a direct consideration of values, leading prices of commodities back to homogeneous quanta of gold. That is, he relates them to such quanta independently of the composition of the capitals that have produced them. In other cases, in the production for the inner market, this composition was crucial for Ricardo in his study of distribution.

Thus both Ricardo and Marx abstract from any composition of capital, even from the latter's OCC, the world market. This must mean that both of them do think that here, capital is functioning outside the realm dominated by interspherical competition in the domestic economy.¹²

At this point, we have arrived at still another methodological affinity between Ricardo's and Marx's analyses. The schematical example shows that Ricardo lets commodity-prices be measured *prior to* their circulation. Apparently, he is miles away from letting the commodity-prices be measured only when the "exchange" (rationally expressed: their buying and selling) takes place. However, when he considers the "natural prices" of commodities on the home market, he presupposes them—rightly—to correspond to what Marx called "prices of production" derived from the specific composition of their capitals. But here—to the contrary, and faultily—Ricardo holds that such products, in equilibrium sold at their cost of production plus an average profit, get their prices changed in specific manners by movements in the composition of the gold production capital.

According to Marx's way of looking at things, this implies that relative commodity prices, in their internal relation and in their deviation from their values, are determined not only by their specific capital composition but also by the composition of the capital producing their measuring material.

Since this means that the price of the money commodity influences not only the nominal, but even the *relative* prices of commodities, it follows that in such a theory, the very phenomenon of price will be defined through itself—which amounts to its not being defined at all. And also, quite as cogently, the concept of (exchange) value must be defined through the concept of (exchange) value. Actually, value is here not defined through extensive time (duration) of labour processes.

Economists pursuing this way of reasoning can therefore at most postulate some third factor as a value substance. If they say the substance is human labour, they can do nothing to substantiate such a claim. In the Marxian model, to the contrary, it goes without saying that the value must exist as expressed in something other than itself or of its own substance, to appear at all. (And a thing is known only through its appearance.) Marx holds that it is expressed in some unique use value, which turns out to be a money material.

Through that expression, the leading thread back to labour as the value substance is once again clear: The concrete labour in one sector (gold) represents the universal abstract labour (which is abstracted from any commodity production, inclusive of that of gold, wherefore this latter can get a price beside counting as a concrete labour on the other hand).

¹²Ricardo did not come as far as to Marx' OCC-concept. Instead, he worked with a composition between fixed capital on the one hand, and on the other labour plus raw materials (see [12], especially 19 and 29). However, in practice, he almost consistently let out the material circulating capital from his concrete reasoning, so that one could actually speak of a ratio of fixed capital to labour.

When Ricardo allows for world market commodities to be measured directly by means of the immediate working hours laid down in them (and therefore through given, homogeneous gold quantities), then this consequently indicates, with great probability, that he has no intention of looking at such commodities as "capitalist" in the first place. "The rule which regulates... the relative value of the commodities exchanged between two or more countries" is thus not related to prices of production (to shift to a Marxian term). They do not exist in foreign trade. Consequently, Shaikh's criticism is not valid: Ricardo does not unduly abstract from capitalist class relations, since here they do not—as such—in any way structure the prices in question.

The referred criticism of Ricardo from Marxisant writers may be correct in some details (from which we shall abstract here), but what is methodically important, is that both Ricardo and Marx accept the importance of analyzing the world market not through financial superstructures, but through the direct functions of materially produced commodities.

7. The Position of the Wage: Amongst Determined or Indetermined Value Magnitudes? Marx versus Ricardo

What would be the primary Marxian objection to Ricardo's theory of foreign trade? Probably the fact that Ricardo, in contradistinction to Marx, has no concept of the intensive magnitude of labour time (its degree-magnitude) but only of its role as an extensive magnitude. The examples regarding work hours in the schema above do not open for differences of intensity. Therefore, examples á la Ricardo, especially since they aim at comparing given quanta of gold to bring into the open the qualities in value-producing labour, will be in danger of underestimating the weight of the differences between the economies of different nations. Marx, to the contrary, draws differences in intensity directly into his examples, which implies that he is from the outset at the watch out for what effects foreign trade may have on these very differences:

In proportion as capitalist production is developed in a country, in the same proportion do the national intensity and productivity of labour there rise above the international level. The different quantities of commodities of the same kind, produced in different countries in the same working time, have, therefore, unequal international values, which are expressed in different prices, *i.e.*, in sums of money varying according to international values. The relative value of money will, therefore, be less in the nation with more developed capitalist mode of production than in the nation with less developed. It follows, then, that the nominal wages, the equivalent of labour power expressed in money, will also be higher in the first nation than in the second; which does not at all prove that this holds also for the real wages, *i.e.*, for the means of subsistence placed at the disposal of the labourer Marx ([2], p. 702, cf. [3], p. 584).¹³

The theory of explanatory priority of the (nominal) wage in relations on the world market should then be definitely refuted.

That Marx chose to use his section on the wage, namely, the sixth of *Capital* I,¹⁴ to induce the reader to his theory of international exchange, which as a whole was planned for a later work, has a certain contingency to it. It seems that for many Marxisant writers, this relative contingency, paired with certain weaknesses in their appropriation of the Marxian theory in general, has lead to the belief that the wage, from a Marxian position, could be used as an independent variable in the study of international exchange.

But, alas, the only actual connection between this view and the structure of the argument in the later parts of *Capital* I, is that here, Marx puts some weight on showing the fetishism that leads to the rise of the category "Arbeitslohn" (imprecisely translated with "wage").¹⁵ For this is a fetishism that 1) leads to the illusion that what is paid for, is not labour power, but concrete labour as such, *i.e.* that the whole of the worker's actual, floating power during a working day, is remunerated. Consequently, 2) it leads to the rise of an enigma related to how a

¹³The ignorance of these passages by Marx among mainstream economists, as well as among Marxisants, is conspicuous. An acclaimed article by Anwar Shaikh [14] is especially shaking. In this text, which explicitly pretends to throw light on Marx's theory of "international values", the latter's presentation i *Capital*, the one we are here analysing, is simply *overlooked*. Instead, Shaikh concentrates on flows of money and credit on the world market. The case is remarkable. This all the more since Shaikh, just like that, presupposes the existence of average profit rates on the world market, *and* confuses basic determinations in Marx's theory of value, like *numéraire* and measure of values.

¹⁴Chapters 15 - 20 of the volume, of which it is the last one that concentrates on "national differences of wages".

¹⁵The etymology of the German "Lohn" immediately implies the significance of a reward, and, in addition, a just reward. Not so with "wage", a word to points to a wager, and to the risky existential situation of the worker (or a day-labourer) on a market.

capitalist can gain an unpaid surplus from production. A possible result for the disturbed ideologist is 3) that the wage is imagined as a fixed "factor" of production, or as an expression of such a "factor", which simply does not need explanation.

Now, if we turn to look at Ricardo's theory in "On Value", the first chapter of his main work from 1817, and especially his section "On an invariable measure of value", we will meet a polemic against the then prevailing theories on the connection between wages and the concept of value:

... Adam Smith, and all the writers who have followed him, have, ... maintained that a rise in the price of labour would be uniformly followed by a rise in the price of all commodities. I hope I have succeeded in showing that there is no grounds for such an opinion, and that only those commodities would rise which had less fixed capital employed upon them than the medium in which price was estimated, and that all those which had more would positively fall in price when wages rose. On the contrary if wages fell, those commodities only would fall which had a less proportion of fixed capital employed on them than the medium in which price was estimated; all those which had more would positively fall those which had more would positively rise in price ([12], p. 29).¹⁶

In this reasoning, we see the substance of Ricardo's argument against a naîve theory of "factors". The wage, or for that matter profits or rent, may behave and change according to inner dynamics of the economy, and basically, they cannot be taken to be the heart of the matter. Since they are subject to measuring problems, they are also—that was Ricardo's inner conviction—subject to the nature of the substance that forms the measuring entity. In Ricardo's view, this is labour time, or rather living labour itself.

The principle of Ricardo's alleged solution has won universal endorsement: The search for an invariable measure is accepted all over, even when not recognized as being related to a problem of first-rate importance. That is, theories that accept or underpin a system integrating such a principle, are legio. Even some Marxists, at least amongst the self-appointed ones, take this stand.

However, Ricardo's triumph stands on feet of clay. His theory presupposes, rightly, that the gold commodity is used as a medium for estimating commodity prices. So it is, indeed. But Ricardo believes that this function is effectuated through *the value form* of the money commodity, *i.e.*, through its exchange value; but this, according to Marx, belongs to the "indescribable... confusion over measure of value and standard of price ('standard of value')" which is common "with English writers" ([2], p.192, note & [3], p. 113, note). The level of the *price* of the gold (a form of its exchange value) is of course completely irrelevant. What is relevant, is the *use* value of gold, *i.e.* the gold *material*. As a *numéraire*, standard of prices, the gold functions as bars, so to speak in its world money form, measuring quantities of gold on itself:

As measure of value, and as standard of price, money performs two quite different functions. It is the measure of value as the social incarnation of human labour; it is the standard of prices as a quantity of metal with a fixed weight. As the measure of value it serves to convert the values of all the manifold commodities into prices, into imaginary quantities of gold; as the standard of price, it measures those quantities of gold. The measure of values measures commodities considered as values; the standard of price measures on the contrary, quantities of gold by a unit quantity of gold, not the value of one quantity of gold by the weight of another. For the standard of price, a certain weight of gold must be fixed as the unit of measurement. In this case, as in all cases where quantities of the same denomination are to be measured, the stability of the measurement is of decisive importance. Hence the less the unit of measurement (here a quantity of gold) is subject to variation, the better the standard of price fulfils its office. But gold can serve as a measure of value only because it is itself a product of labour, and therefore potentially variable in value (Marx [2], p. 192 & [3], p. 113).

To do like Ricardo does in "On Value", is simply to define relative prices of every commodity through the concept of price (*in casu*, the genesis of the price of gold) itself, *i.e.* a blatant self-contradiction, *in so far* as the aim is to define commodity-prices as related to their labour values—an operation which indisputably is the same as to give "price" its general definition.

It seems that Ricardo was originally on the watchout concerning this problem. In December 1815, while preparing the *Principles*, he wrote in a letter to James Mill:

¹⁶For an illuminating graphic exposition of the problems caused by general wage changes as regards the price level, made from a traditional viewpoint, see Hofmann [15], p. 67; also, Sandemose [25] 55sq.

I know I shall soon be stopped by the word "price" (cf. [16], xiv).¹⁷

As can be seen by the present text from "On Value", Ricardo here takes it as given that a commodity is *exchanged* for gold in the setting of its price.

In his study of *Principles* after 1861, traceable in the *Theorien über den Mehrwert*, Marx criticized Ricardo's text directly:

While it [the gold]... thus represents a relatively unchanged (unverändertes) medium, it is absolutely inconceivable how any relative combination inside it between capital fixe and circulant, compared with the commodities, can create a difference. But here we have to do with Ricardo's *false presupposition* that money, in so far as it functions as means of circulation, is exchanged (ausgetauscht) commodity against commodities. The commodities are evaluated in it before they circulate ([17], p. 198, my translation).

This interpretation is correct. In Ricardo, there is, in general, a confusion between immediate exchange and circulation, in the sense that circulation is taken to consist of series of "commodity metamorphoses" (Marx), formed as barter-like exchanges. We have already seen how Marx criticizes this view in his work from 1859.

True, a careful reading of "On Foreign Trade" indicates that Ricardo is separating the two movements he admixes on other occasions. But that happens only because on the world market it is evident that the "exchange" involves not only one, but two currencies, so that this market has no barter structure and necessarily, superficially considered, stands out in comparison to capitalist domestic markets. Here, Ricardo says here of the circulation movement:

The exchange is never ascertained by estimating the comparative value of money in corn, cloth, or any commodity whatever, but by estimating the value of the currency of one country in the currency of another ([12], p. 91).

Here, it seems to be presupposed that the first-mentioned kind of "estimation" is the one that is to be found in the inner of the national economy. This estimation seem to be thought by Ricardo as a series of equations between the money-commodity and its co-existent partners on the commodity market, while for Marx this estimation is already presupposed as a pre-circulation measuring. In this situation, the question arises as to why Ricardo should rule out that an estimation of the kind that he ascribes to the world market, should also be administered on the domestic market. It does not solve any problem just to suppose, like Ricardo, that the estimation can be made so and so because we have to do with currencies, for the stipulation of these currencies through each other is a function of measuring—inside each nation—of a given weight of gold against any specific piece of labour time incorporated in any commodity. In the richer nation, a greater mass of commodities will correspond to a given weight of gold that in a poorer country, supposing for the sake of illustration that both nations refer to a gold industry that produces a given mass in the same time. But to accomplish such a calculation, the commodities inside both nations must have measured their value in gold already—which is precisely the Marxian theory.

Ricardo's view, more or less openly admitted, is, then, that every inner capitalist market is economically *in-determined*.¹⁸ Why? Because, as has been contended by his followers, *via* L.v. Bortkiewicz's criticism of Marx in 1906-07 [18] [19] (vindicated basically by P.M. Sweezy in 1942 [22] and brought on and on by hundreds of somewhat uncritical Marxisant theoreticians), *if* all industries in a nation (or in an equation-set!) get their product-prices changed according to composition changes in the gold industry (which produces the medium product), one needs independent variables to make the system "determined", *i.e.*, the capitalist system cannot be presented as a system under self-produced, strict and transparent laws.¹⁹

However, as soon as it is seen that no medium commodity need exist (because an exchange of "commodity against commodities" is not a circulation feature), and that what is needed insofar, is simply a concept of abstract human labour time, there is no longer a place for those indeterminacies which Bortkiewicz meant to find; furthermore, there remains, on the original, unshattered Marxian premises, an univocal and rational logical connection between the level of average profits and the amount of *ground rent* which is possible inside the given

¹⁷Cf. Ricardo 1815, [16], p. 348. This is the one of Ricardo's reflections that more than any other should be studied by would-be Marxists! Ricardo came close to the solution, but escaped into unclear language of "natural" prices etc.

¹⁸For a precise formulation of the case, see Garegnani [20], pp. 17-20 (Section IV of Chapter II, whose title is brought on p. 249: "La difficoltà incontrata da Ricardo riducibilie a quella di una coerente misurazione del capitale".) It lies an irony in the fact that Ricardo's approach to science could in general very well be called a method of "the determined market", *il mercato determinato*, as Gramsci has it ([21], p. 95), since he (Ricardo) insists on thought experiments starting from given market relations.

¹⁹See Sandemose [24]-[26].

economy; and not least important, the wage level, which modern Ricardians are so apt to select as their independent variable, can be presented as a variable under the domination of the accumulation of capital. In short, the three central movements of distribution between the main social classes, which Ricardo took to be the main subject of political economy, are united to a logical whole in Marx's version of the theory of value.

8. Bourgeois Post-Ricardian Theory of Trade: Vulgar Theory of Classes

One might believe that a pregnant analysis like Ricardo's was predisposed not to be misused in imperialistic directions, but unfortunately that is not so. The still dominant bourgeois theory on international trade, the so-called Heckscher-Ohlin-Samuelson-model (cf. Sandemose [23], pp. 158-159), is namely clearly untenable, even though it contains a Ricardian point.

The model contends that the commodity a nation would choose to produce in what we might call an "angloportuguese" situation—*i.e.* the one that gives the most obvious comparative advantage among others—will be the one that from case to case corresponds most adequately to a production which employs a relatively large part of one of the three "factors of production" land, labour power and capital. A poor country, like Kenya or Gambia, can benefit "comparatively" by exporting a commodity which requires large investment in labour power (and little in land and/or capital), because the country has scarce resources of "capital" or (privately owned) land.

This ideological fancy includes that in return, the product, e.g. peanuts, is sold to countries with relatively much land and capital compared to labour power (*i.e.* a rich, industrialized country), which can then specialize, and sell fanciful succumbers, rare minerals and high-tech products the other way. This mystification, easily unveiled, has formed the ideological background for many a rarity—such as when the IMF in the late 1980's proposed to subsidize nut cultivation in Gambia (peanuts having been made expensive in the rich world), while it in the name of free trade worked for abolishing subsidies for corn products (cf. Carney [27], p. 185). This de facto sabotaging of any serious trade goes on while beourgeois economists keep insisting that "sooner or later" there will take place an equalization on the world market which—in accordance with Ricardo's theory—will bring with it that actually poor countries to produce peanuts and a further, narrow sortiment of agricutral-horticultural products.

It is unnecesssary to go ahead with polemic against such presentations. What is interesting about them, is only that they are taken seriously at all, besides the fact that they are founded on the existence of precisely that interactive totality of the three reciprocally contradictory elements, capital, landed property and wage labour, which was the most important result of the industrial revolution in the West, and which contrasts so deeply with the actually existing *unity* of manufacture and agriculture in "third world" countries. At the same time, they clarify in an impressive manner that bourgeois theories simply do not observe that unequalities between nations on the world market is a cronical relation which is everywhere to the advantage of nations of one specific type, and always to the disadvantage of nations of specific other types. These theories will want to rid themselves of every serious attempt at type classifications. The theoretical weapon best adapted to spread the vulgarities that follow, are the attempts to lead the focus away from analysis of the world market as a *commodity* market.

But the paradigm for these efforts, the Heckscher-Ohlin-Samuelson-model, can reasonably be understood as a result of the specific logical difficulties which after all persisted in the Ricardian model—specificly, its final "indeterminacy", which in itself must have been felt like a nuisance to any theoretician.

To expose this viewpoint as regards the history of economic science, the Marxian theory is very well adapted, since Marx's preliminary methodological drafts on economic theory, published as the *Grundrisse* (1857-1858), can in great part beseen as a criticism precisely of Ricardo's view of the three-class distribution of wealth. At the time of the writing of the *Grundrisse*, Marx was not quite familiar with Ricardo's theory in every detail; however, his criticism concentrated on the role of the classic triad "Capital-Wage Labour-Landed Property" inside modern economic theory at large, and he focused on the more or less hiddden presuppositions of the use of those categories inside classical political economy. In certain passages²⁰ he combined analysis of the frames of the reciprocal action ("*Aktion*") between the three respective classes with especially three themes: 1) the "original accumulation of capital" and its expropriation of countryside population from its property; 2) the falling rate of profit in a developed, accumulating capitalist economy; 3) the latter's resulting in the rising price of land and the functional result of keeping members of the working class away from landed property. The corresponding theorems which he set up, where exposed concretely in his developed price theory in *Capital* I-III.²¹

²⁰Marx 1953, 175, 188, 412.

²¹See e.g. Sandemose [28] passim. See Marx [3], Chapter 25 & [2], Chapter 33, [7] Chapter 45, on the functions of absolute rent.

9. A Closer Comment on Intensity of Labour

I shall now attempt to set up a more general scheme for an analysis of intensification of labour.

Marx's theory of international values in fact presupposes the intensive magnitude of labour time—as a phenomenon present in all nations taking part in foreign trade—as the basis of relations on the world market partly as condition for the very diversity on that market, partly for the social relations that dictate the condition for entry into it.

As we saw, the argument for the scale-character of international economic relations is according to Marx directly dependent on labour intensity. It is the core in the definition of labour as value substance, and the international scale depends on the difference in intensity solely (cf. again [2], p. 702 & [3], p. 584). Secondly, according to Marx, there is one relation of intensity that is "even more" important for the modification of the law of value here, namely, that "national labour which is more productive also counts as more intensive". All these formulations seem to indicate that in his opinion, the situation on the world market tends to *limit* competition between the actors, which is the same as saying that it favours a *status quo* relating to their reciprocal relations.

For, inside nations, there is a competition which, as we saw, tends to sublate differences in intensity. That is precisely the reason we can say that intensity has a priority over productivity as such: It is the uneven ups and downs *in intensity* that steadily reproduce the productivity on higher levels. And this is the competitive mechanism that is not present on the world market, unless when submarkets are overfilled with commodities.

On the other hand, if markets are overfilled, the reawakening of competition through price wars naturally favours the big suppliers, which, at least in the sector for means of production for further development of poor nations, is the most central one. The more advanced capitalist nations will to some degree function as an obstacle for market entry.

Inside the nation, so to speak in the trenches where production for world market strife is made, the concept of intensity has a dual nature: First, it shows how one kind of competition works inside a branch, generating a given socially necessary labour time for a given kind of product. This intraspherical competition is then accompanied by an interspherical one, where what is generated, is an average rate of profit. This second kind of competition is only possible in a nation-state, and with a relatively high population density, an advanced financial-institutional system and a material infrastructure of some capacity. It implies unhampered movement of persons and goods, not least an advanced monetary system. These are conditions for a developed accumulation of capital, and historically, it has been possible to develop them exclusively inside bourgeois nation states. So what we are looking at here, are the very presuppositions for a world market. There is a historical side to this: The poor nation of today is, as nation, a creature of advanced capitalism, in its imperialist and colonialist garment. This represents the second element of the "dual" nature of intensification of labour: The capacity of the world's leading industrial forces to set its stamp on the totality.

The finished and rounded-off form of the nation-state, its capitalist character included, is in its turn the society whose *membra disjecta* we meet in Marx's analytical exposition in *Capital*. Through all its chapters, the *national* character of the object is made clear. The *capitalist mode of production* arises inside a nation, and so does the *capitalist social formation*, when the state of modern landed property is dragged into the ambience through the analyses of the forms of ground rent in *Capital* III.

The first important instance, and perhaps even the basic and dominating one, concerns the analysis of the value-producing labour in the very first chapter. Belonging to a "society" here means belonging to a nation:

Socially necessary labour-time is the labour-time required to produce any use-value under the conditions of production normal for a given society and with the average degree of skill and intensity of labour prevalent in that society (Marx, [2], p. 129)

where the author proceeds immediately with an example relating to, and limited to, the introduction of powerlooms to England.

Marx's use of the term "intensification" (and similar ones) of labour, often goes together with terms like "skill" (and "complicated" labour, etc.). In the *Principles*, we find a similar point: A reader will note that when Ricardoanalyzes the predominance of "manufacture" (and machinery) of one nation compared to another in his chapter on foreign trade, he is not satisfied just with such terms, but recurs to the *movement of precious metals* to describe the situation:

Thus, then, it appears that the improvement of a manufacture in any country tends to alter the distribution of the precious metals among the nations of the world: it tends to increase the quantity of commodities at

the same time that it raises general prices in the improvement takes place ([12], p. 87).

Here, we are talking of relative nominal prices, and of their "general" level in the industrialized nation which in this example is England. Still, it is resulting from a movement in the real economy, since the relative mass of commodities in comparison with gold is unchanged. So what Ricardo is telling us, is that the mass of values is enhanced *pari passu* with the mass of use values—a situation which so far is identical with the one that Marx takes as a result of intensification of labour in England relatively to other nations. What happens here is only that Marx, in contradistinction to Ricardo, goes further along the causal chain, and finds that the enhanced mass of gold imported to England (which he does not mention explicitly here) must result from an enhanced mass of value-producing labour in England.

Marx's "intensity" of labour, however, has quite another meaning than "skill". Labour intensity for Marx is an aspect of human labour time itself, and related to Ricardo's example only to the extent that human labour in the abstract has its imagined predicate in gold-producing labour. But it is now necessary to underscore this term, which in Marx relates to a concept of labour-time in a much more fundamental way than we have noted up to now.

Intensification is a phenomenon that can appear in relation to every kind of labour, even the most primitive one. Still, the most glaring example is the introduction of real machinery on a broad basis after the British factory laws at the end of the 1840's. The reduction of the length of the legal working day forced the capitalists to augment value production by way of condensing it instead. Or expressed more to the point, a capitalist now had to shorten the working day in order to intensify labour, because the strain would otherwise have killed the worker. Under such a condition, one gets "the inversion [*Umschlag*] of extensive magnitude into intensive nagnitude, or magnitude of degree" (Marx [2], p. 533, cf. [3], p. 431), *i.e.* a contradiction inside the concept of labour time itself:

This compression of a greater mass of labour into a given period now counts for what it really is, namely an increase in the quantity of labour. In addition to the measure of its "extensive magnitude", labour time now acquires a measure of its intensity, or degree of density. The denser hour of the 10-hour working day contains more labour, *i.e.* expended labour power, than the more porous hour of the 12-hour working day. Thus the product of one of the 10 hours has as much value as the product of 1.2 of the 12 hours, or even more ([2], p. 534, [3], p. 433).

Intensification matures the tendency of capital to be "convert[ing] every improvement in machinery into a more effective means for *soaking up labour-power* (*Aussauger der Arbeitskraft*)" ([2], p. 542, cf. [7], p. 440). *i.e.* for shaping the structure for a subsuming of workers under the ownership system and an average rate of profit.

The upshot is that there is a need for a more precise definition of *time* than was given hitherto in the Marxian corpus. It seems clear that time must itself be considered as the form of human labour, as Marx saw it in *Grundrisse*:

Labour is the living, form-giving fire; it is the transitoriness of things, their temporality (Zeitlichkeit), as their formation by living time ([29], p. 361, [30], p. 266).

However, here we do not need to use more spaceon this, since any labour, as a living process, is filled with a certain intensity, so that the possibilities of condensation (and its opposite) must be, or must have been, integrated from the start into concept of value-producing labour.

First and foremost, we must underscore how intensification of labour is a predominant feature of the work extorted from the subjects in what Marx calls the *real subsumtion of labour* under capital. While his term "formal subsumtion" on the contrary means the tying of the worker to the capital relation through a wage, where the capitalist has got but few more material means to subject the free worker under himself. Such a subsumtion was the rule until the need for intensification broke through—a relation which also contains some of the explanation why capitalism easily could abolish slavery: The free worker had turned himself into a creature bound under the command of a machine independent of him. Society at large can now assure itself of being a true commonwealth of free mankind, and tacitly abstract from the question of the ownership of the said machine.

10. The "Integrating Parts" of the World Market

The commodities produced by this most developed, anonymous capital represent the most advanced entities on the commodity world market. As will have appeared already, other entities exist there—generated by val-

ue-producing firms or persons belonging to other modes of production. Since we talk about a *market*, all things have an (exchange) value here, *i.e.*, they are commodities. But they are commodities produced under qualitatively different circumstances. They can be produced by state-owned companies which only accessorily adopt a value-form, *i.e.*, just to gain a reward on the market; they can be produced by petty-bourgeois artisans, e.g. owning their own means of production; they can be produced by capitalist or non-capitalist land tenants who simultaneously work in a non-capitalist form, *i.e.* without wage workers. Among producers of this last kind, there are many who—especially if living in "poor" countries—work under conditions which Marxists often term "simple commodity production".²²

Different modes of production such as these have, as we saw, a kind of non-dynamic co-existence on the world market, in the sense that they do not appear as functions of their own special background in property relations, but simply as entities thrown out from "integrating" *countries*. They appear behind specific masks whose only internal difference lies in the value of their currency.

As an example, let us suppose there existed a production of a certain exclusive groundnut in Mali. It is the only one of its kind, and if it hits the world market, it will count as a specific species of commodity, separated from any other nut. Let us suppose that the production is by nature confined to a small field, which limits the possible number of workers, say to 100. Let us suppose that these workers all have a daily outlet of floating labour power which is identical with any American worker producing stainless steel. In that case, they, too, in the course of one day, would bring forward a commodity economically similar to a long ton of stainless steel. Say that this commodity consists of 100 tonnes of groundnuts.

Now, it is not quite improbable that the material part of the long ton and the material part of the 100 tonnes which correspond to the value added of the two respectively, would sell for an identical sum on the world market—*provided* that the nuts had been produced in the US, or in a country with a currency with the same strength as that of the US dollar. For the buyer on the international market exchanges the currency of his own homeland to buy the CFA-francs the seller must acquire, and which are needed to buy the Mali labour power, etc. Any currency has its value determined by the intensity and productivity (of all commodity production) inside the whole currency area. In a very poor nation such as Mali, the 100 groundnut-workers cannot do much to heigthen the average. If the buyers come from a decidedly rich nation, the result is an outsluicing of Malilabour-values, and their appropriation through citizens in nations where the labour outlet is remunerated in a very short and "condensed" time span.

This last point needs specification: As mentioned, it is relatively easy to accept that the productivity of labour in the course of e.g. 4 hours of continuous work at a given time with a given technical mode of production is a *measurable* function of a given outlet of force through the human psychophysical system.

Up to this point, the value-producing labour in two completely different branches—for groundnuts and for stanless steel can meaningfully be compared, as we tried so show. But on the other hand, and conditioned by the point of departure, we will find that the two processes can only with difficulty be compared in the same way, if we look at their inherent possibilities of commencing a process of *intensification* of labour.

Relatively simple agricultural work, as we may suppose is active on the groundnut field, is relatively more difficult to intensify than machine work. It can be done, as when one adds a net on a fork to stop nuts from rolling back to the ground. Then we have an intensification, as long as the worker has to keep his mind on the art of holding the fork stable in a more complicated way than before. Some of the force that was present in the worker in the operation as it was before, but needed not be activated, now passes into the work process proper, and heightens the workers concentration in the generating of the product. But evidently, such possibilities are much poorer with property relations which *de facto* forbid mechanization, than they are in countries that are integrated in structures of large-scale industry. As we saw above, steady intensification is so to speak apparent in the very nature of more advanced technology.

Now it is clear that in the ("Western") home countries of this technology, the "double" kind of competition prevails, so that it takes relatively short time before interbranch firms who gain intensity advantages, loses them to competitors, resulting in differences in intensitively levelling out and simply presenting us with a new level of

²²This term is scarcely present as such in Marx's corpus. However, it is beyond doubt that he counted its economic precondition, namely, that commodity prices in a societal ambience, in large scale and on the average circle around (labour) values, to be a fact. This is primarily shown in his critique of Ricardo's theory of rent in *Theories of Surplus-Value*: "The transformation of values into [production]prices is only a result of the development of capitalist production. The original state [Das Ursprüngliche] is (on the average) that commodities are sold to their values. The deviation from this is hampered in agriculture, through landed property." Cf. [17], p. 330-331. Modern agriculture is thus a living proof of conditions that in earlier times were general, and which in modern times are surpassed by the transformation to a certain new price-structure in industrial part of the economy.

productivity of labour. Still, the rise of this productivity by way of intensity, and the fact that productivity changes in poor countries are much more difficult to develop, give some hints about the relatively high differences of productivity between developed capitalism and pre-capitalist or formal-subsumtion-based economies.

Actually, it is on background of such viewpoints on industrial development that we are best equipped to tackle the question of whether there exist an "unequal exchange" hidden in the circulation of commodities-and-currencies on the world market.

Certainly, the answer will be negative: Any theory of unequal exchange is ideological and at odds with reasonable presuppositions of the world economy. Commodity production is in every corner of the world committed to labour values. But the integration of this very fact happens only on the world market whose only possible "integrating parts" are currency-bearing entities, nations or bands of nations. "Value", and "exchange value" is, albeit universal categories, generated inside the entities in question. Groundnuts from Malitend to be sold to their value at the world market, without any injustice baked into the operation. The problem is only that what is, eventually, exchanged against it from a richer nation, is a product which there may cost just a fraction of the mass of labour inside that nation. The exchange, or better, the transfer effectuated by the simple circulation, is assymetrical in the sense that the richer nation accomplishes it with a relatively much lesser outlet of labour, and *a fortiori* with a relatively far greater gain of labour, than the poor nation. In fact, it is in practice a very difficult question whether this weakens the poorer nation relatively, or not. I cannot discuss that here. On the other hand, it is cleat enough that wage differences has no possible place in the question.

Commodity price levels on the world market is a direct function of their *labour* content relatively to efficiency, intensity and productivity in the homeland; they are thus *values*, and as *prices* they are only modified by the existent "scale" of the world market. All kinds of commodity production meet each other here.

11. Patrimonial Capitalist Production

Now, in addition to the types of merchandise-production we just summed up, there is still another conspicuous one, often underrated and more often simply ignored. What is at stake, is a clearly delimited group inside a kind of production which Marx sees as generated from what he calls "formal subsumtion" of labour under capital. An important point as regards the genesis of this form is the following quote from *Capital* I:

...the working day is already divided into two parts, necessary labour and surplus labour. In order to prolong the surplus labour, the necessary labour is shortened by methods for producing the equivalent of the wage of labour in a shorter time. The production of absolute surplus-value turns exclusively on the length of the working day, whereas the production of relative surplus-value completely revolutionizes the technical processes of labour and the groupings into which society is divided.

It therefore requires a specifically capitalist mode of production, a mode of production which, along with its methods, means and conditions, arises and develops *spontaneously* on the basis of the formal subsumtion of labour under capital. This formal subsumtion is then replaced by a real subsumtion.

It will be sufficient if we merely refer to *certain hybrid forms*, in which although surplus labour is not extorted by direct compulsion from the producer, the producer has not yet become formally subordinate to capital ([2], p. 645 & [3], p. 533)

The "industrial revolution" in the West may well be analyzed using the *manufacture* system as an essential background.²³ The development of this special form of capitalism in the period ca. 1500 to 1800 helps to explain the rise of "machinery and large-scale industry" (Marx's title). This, however, does not mean that it could explain such a development in the case of other countries or periods; nor does it mean that manufacture must in itself lead to large-scale industry.

It is important not to tie the concept of formal subsumtion under capital in production to handicraft work alone. In Marx's exposition in *Capital*, the concept is first introduced immediately after the section comparing manufacture and large-scale industry. Since his picture of manufacture here in the main took its point of departure in a handicraft model which was more in style with the continental situation than with the British one, it is easily done to identify his concept of formal subsumption in production with such a type of manufactural production.²⁴

 $[\]frac{23}{23}$ Cf. the stance taken *contra* Robert Brenner and Ellen M. Wood in Sandemose [30], and now also the same tendency in Drapeau [31] esp. 210.

²⁴For this reasoning, see Sandemose [23], p. 177.

However: It is just as simple to determine that this would be a misunderstanding. Marx clearly denotes that the formal subsumption emerges when capital "takes over an *existing labour process*, developed from diverse and more archaic modes of production" ([32], p. 54). As *examples* he then proceeds to mention "handicrafts, [or] a form of cultivation in agriculture which corresponds to a small, independent peasants' economy." Furthermore, he underscores that labour of such a kind, when taken up under the wings of capital, may go through important changes without any revolution in the mode of production, something which would have implied that the subsumption under capital had turned to be *real*. What he hints at, is, then, the possibility of a prolonged period of capitalist production, even independently of the structure of actual manufacture on the European continent between 1500 and 1800.

Now, we turn to the present background for introducing these methodical considerations.

Even a brief look at the present-day world market brings to light an important difference in the structure of the capitalist firms and companies that feeds it with commodities.

To understand the difference and its contemporary influence and significance, we have to go the whole way back to those elements of the Western European experience which Marx calls "the so-called primitive accumulation" which appeared and dominated in England under the the Tudors (roughly the whole of the sixteenth century). More specificly, those elements are the expropriation of the country people (*Landvolk*) from all kinds of property of the soil, *and* the crushing of the feudal *Gefolgschaften*:

A mass of "free" and unattached proletarians were hurled onto the labour-market by the dissolution of the bands of feudal retainers, who, as Sir James Steuart correctly remarked, "everywhere uselessly filled house and castle" ([2], p. 878 & [3], p. 746).

The upshot was that the making of a British working class commenced as a tandem development of expropriation on the one hand, and breaking down of physical feudal class power on the other. The whole process was initiated by feudal overlords with genes passing back to the upper nobility constructed through the politics of Norman conquerors from 1066 on. Its members could afford to get rid of their lesser peers and lackeys because they were already in a de facto alliance with an upcoming bourgeoisie both on land and in towns, riding on the wave of the upcoming wool production and trade. This unique development, while retaining a thin stratum of extremely well-to-do overlords, cleared the political field for the bourgeoisie and made the oncoming bourgeois revolution into a process led by the landed gentry.

Already in the first country outside of the West to initiate a capitalist industry on a broader scale, Japan, an essential difference was outspoken. Industrialization emerged around 1860 through imperial orders (as an antiimperialist movement against "aliens"), and the practical work was led by a class of strong still-feudal, quasicapitalist lords, politically supported by huge and resourceful groups of *samurai* and other feudal retainers.

The notable result was that one got a capitalist industry, *i.e.*, manufacture with wage-labourers, but *not* a really radical expulsion of country people from property. The "proletariat" was not truly one consisting of people "owning only their own kids", *proles*. (Still today, the especial patrimonial tying of a great deal of the Japanese proletariat by loyalities to the proper working place, is conspicious.) And on the other hand, the capitalists were not pure 'character masks' for anonymous capital, which in the West already from the 1840's had taken the extreme form of share companies, *sociétés anonymes*. On the contrary, the joint-stock company was alien to Japanese society—and so it is still today. That reflects a capitalist industry which has not surpassed the level of formal subsumtion of workers under capital.

Expressions like "shares" are misleading in this case, even if it is commonly used. We have before as a system where equities are sold not under the ("Western") presupposition that any one of them gives the possessor the right to handle it as he likes, but on the contrary under the presupposition that the buyer tacitly accepts a difference of class between them. To illustrate, we bring an empirical **Table 1** set ut by the Japanese economist Takatoshi Ito ([33], p. 246):

What we have to do with here, is six groups of the *zaibatsu*-type, in the specific ("*keiretsu*") form it got after the reforms which followed The Great Depression and the reform policy promoted by the US occupation regime after 1945.

The numbers are from an investigation published in 1987. The example is relevant here because its moving principle does not differ in any substantial way from the post-WW II-setup, *nor* from the earlier *zaibatsu* structure (Mitsui, Mitsubishi and Sumitomo were leading *zaibatsu*already from the Meji-period).

With "interlocked" shares is meant the quantity par in equities in a firm owned by other firms in the group.

Table 1. Economic magnitudes in six business groups.							
Selected zaibatsu (keiretsu)	Number of member firms	Interlocked shares in %, on average	Average of intra-group loans in %				
Mitsui	24	17,10	21,94				
Mitsubishi	29	27,80	20,17				
Sumitomo	20	24,22	24,53				
Fuyo	29	15,61	18,20				
Sanwa	44	16,47	18,51				
Ikkan	47	12,49	11,18				

Mitsui, e.g., owns 17.10 per cent of the shares in the 24 companies in the business area which then are "members" of Mitsui.

The numbers highlight averages from a definite business area, where, e.g., Mitsubishi, steers 29 companies. Let us suppose that among these 29 there is a company called Zero, where 27.80 percent of the "shares" are owned by Mitsubishi, then we know that this fraction is owned by a maximum of 28 other members of the Mitsubishi conglomerate. Also, for the sake of illustration, suppose that 20.17 percent of the capital inside Zero is brought forward through loans from these 28 members.

In the Japanese "system" (rather, it should be called a placebo-system) the above implies that a firm like Zero is steered by a quantity of shares that represent 27.80 percent of the capital. The corresponding capitalists cooperate tight and intimately through their umbrella, but their dominance has not got to do only with technical finesses. We stand before an order of things which is publicly accepted, though in this case not strictly accepted judicially.²⁵ It is based on personal power relations, with no clear boundaries to mafiotic activity, and has a background in Japanese feudalism.

Now, as mentioned earlier, Japan was the first non-Western country that came to be dominated by a capitalist mode of production. Capitalist tendencies were just as early present in Russia, but Japan remains the true protoexample, essentially because of the earlier predominance of a feudal system, which made the transition more smooth, effective and dominant-in so far in paralell with Western Europe.

This characteristic gives importance to the Japanese case, for Japan remains the only country (outside of the West and its offshoots and dominions in Northern America and Oceania) where a significant capitalist sector inside the economy is also built on feudal relations. In all other such countries, be it in Latin America, Asia, or Africa, capitalist economic relations are being built, tentatively, on "Asiatic" forms, *i.e.* on classical despotic forms where basic economic features are characterized by an inert unity of handicraft-and-manufacture with agriculture.

In essence, the form of capitalism that is present in all these patrimonial countries, has cartelization as a common characteristic. Each and every keiretsu (to continue to use this Japanese term) tend to have offshoots in as many branches as possible—all of course cooperating tightly according to central plans. The anarchic essence in the system comes to the fore when we realize that there is virtually no interspherical competition in such a "capitalist" system. All keiretsu may have shoe producers inside their ranks; normally, just a few. So it is natural that there goes on competition in the shoe branch: the competitors are mainly keiretsu offshoots. Most often, there are also non-keiretsu firms taking part, but always to a lesser degreee. This competition, often fierce, is the main impulse to disciplining the property-less working class in such a society.

Consequently, intraspherical competition must be taken to be a general phenomenon in the capitalist structure eventually present in the "third world"-countries.

However, interspherical competition, which in real, Western capitalism is the decisive factor in establishing an infrastructure and an active, common cultural society, etc., is not present in the patrimonial third world capitalist structure—just as little as real subsumtion under capital is present. The infrastructure is not capitalistically generated.

The reason is obvious: The different keiretsu (as one finds some of them named in the above scheme), the subjects of competitive activity, would compete against themselves in an interspherical strife. For they own, at

²⁵To the knowledge of this author, Chile is the only nation which has tried such a lawmaking.

least ideally and in principle, companies which are producing material commodities or commodity parts in every sphere. And it is clear that a Mitsui producer of radio components is not allowed to compete against a Mitsui textile producer. On the contrary, each and every *keiretsu* has a centralized system of banking and financial policies to avoid such results.

Such "financial cliques" (a common translation for *keiretsu*) which here are being briefly described, are a common feature in societies with a social and historical background in structures which in advanced politicoeconomical thinking were called "asiatic"—as in the Marxin concepts of "asiatic mode of production" or "asiatic social formation". The old archetypus seem to be—even for somewhat one-sided theoreticians such as Karl Wittfogel—the Indian village system, with its system of status-work (combining every person with the status of a specific type of work—and the collectivity in possession of agricultural plots.²⁶

These are complicated matters, all too intricate to be treated adequately in a paper of the present kind. But perhaps the argument for the case for an "asiatic" patrimonial tendency in "third world" economies can be made in a simpler way:

According to classic theoreticians, with whom the present writer agrees, the last and fundamental cause of the inert, unchangeable nature of Asian societies, as they appeared at least until recently, is, as already hinted at, the unity between "agriculture and industry", to use an expression of Karl Marx. According to him, the Western dynamic development since the Tudors was caused by the separation of landed property—the principle of all former modes of possession and dominance—from the property-forms that resided in handicrafts and industrial means and products. As regards the classical Indian village (which, according to Marx, was a direct original form even of the Russian village), such a development was unthinkable there.

Now, Marx showed, especially through crucial passages in the first, respectively the third volume of *Capital*, that the bloody acts that, helped by the desintegrating feudal structure, separated agriculture from industry to enforce a new capitalist order, is internally reproduced by peaceful economic means inside capitalist society:

1) Real subsumption of workers on capitalist premises, massively rising intensity and productivity of labour, is in the last instance effectuated through a system of private property escalated to a unique level that allows for not only intraspherical, but also interspherical competition.

2) This Janus-faced, double-natured competition ensures that commodity prices inside the national economy take the form of Marxian "production prices".

3) This system of capitalist price-setting goes on independently of the pricing of products from agriculture and other practices (*scil.* excavation), which are partly dependent on the old principles of landed property. These prices are orbiting around values, not production prices.

4) The differences between these price-structures, very important for the social and political relations between classes in any capitalist nation, loose their direct importance on the world market, whose competition—at least in principle—allows for a set of prices orbiting around "international *values*" defined through the "universal labour").

5) The dynamic which, through the average rate of profits, establishes the industrial price level, thereby also constructs the price level for products from economic acrivity based on landed property. The quantitative difference (between price of production and value) is in each case, *contra* Bortkiewiczian ideas, completely determinate, just as the industrial price level itself.

6) The advanced Janusian competition between industrial capitals leads to an accumulation that tends to be relentless. As a consequence, one gets a "law of the tendential fall of the rate profits" ([7], pp. 221-277).

7) This tendential fall is leading to a corresponding fall in the rate of interest.

8) This latter tendency leads to a corresponding rise in the *price* of the soil (which is capitalized ground rent).

9) As a consequence, wage labourers, doomed to an existence based on scarce resources, are excluded from escaping the capitalist system through acquiring landed property.

10) It is therefore shown that the "factors" of traditional and modern mainstream political economy lie at the bottom of a dialectics that forms the capitalist social formation into a self-generating and self-sustaining totality.

Some consequences relating to scientific method should briefly be mentioned here: Firstly: The very idea of an integrated whole in which categories like labour, land and "capital" are present, stems from the intellectual and cultural situation developed in post-Napoleonic Europe. But what happened there, was not that rigid categories rise from the ground, but rather that men came to be conscious of their totality and their own place in it. In

²⁶Sandemose 2010 [23] Chapter VII, section 7, 274-286.

perceiving "categories", they in fact perceived men with specific interests attracting or repulsing each other. What was perceived, was an internecine warfare of the Hobbesian calibre.

The idea of the 20th century, that a theory of three factors, an ideological construction that Marx labelled "The trinitarian formula", could solve the problems of another ideological construction, namely political economy in general, is parasitic on this original historical situation.

This means that the "formula", if it contains some seriousness at all, should be taken as a model only for an economy on a certain historical stage. It cannot be taken seriously if its fethisized appearance form cannot be understood as a result of an actually realized dialectics between workers, capitalists and landowners. This form, however, is present in Western culture only, and not prior to the days of the Napoleonic *L'Empire des Francais*.

It is quite another matter that the perceived ways of action between the animal spirits inside the categories are absurdistically conceived. What happened in the history of those categories, was that an abundance of free labour resulted from the expropriation of land into the possession of a small minority of hands, and its transformation to a source of gigantic agricultural incomes. (The vulgar theory of modern days, on the contrary, takes a mass of free labour to be an object of investment when the land is *not* there as an object of investment.) What happened in history was, furthermore, that workers were not freed from their psychophysical golden chains tying them to the old land economy, before capital stood before them as an alien force and reforged those chains: Capital did not emerge before the mass of free hands was already there; it was not the result of loners' initiative to turn to capital when the labour was in small supply. And to be sure, to invest in capital is not to invest in money, but to invest money in materials that are withdrawn from the property of the hands which are asked to work, a role these latter could not fill if there was no material in which to invest.

Now, the characteristics and conclusions described above as belonging to a world of "real subsumtion", can only to a lesser degree be ascribed to systems based on formal subsumtion of capital. The following points are crucial in comparison, and stand forward as soon as we focus on those economies:

1) The reduction to formal subsumtion of workers excludes interspherical competition and therefore is not compatible with a national market based on production prices.

2) There exists a competition inside branches only, and that warrants a price level based directly on labour *values*.

3) While in the Western system capitals in spheres with low composition of capital transfer parts of their value product to capitals in spheres with high composition, this mechanism is not present in "third world" countries. Instead, *keiretsu* and similar organisations are in the position to *loose* money relatively, by selling high-composition products to their values; they are then in position to compensate through undisturbed scooping in for sale at values in their own low-composition companies.

4) Some consequences of the latter structure is certainly evened out by the markedly exportation-minded industrial structures in poor countries. On the world market, sale to values—albeit modified by the scale of universal labour—is the rule. There is no reason to suppose that "third world" commodities for exportation are priced with large deviation from their international values. Consequently, action on the world market favours such industries indirectly, and on the other hand they favour the world market action.

5) This self-destructive dynamic, that takes the drive to foreign trade to be the saviour of the system, is the most essential obstacle to true economic development in the semi-advanced countries in the "third world". This role does *certainly not* belong to interventions from developed imperialistic economies.

6) Compared with relations in the Western system, there will be a certain falling tendency for the average of national profits rates, since intraspherical competition may lead to a rising organic composition of capital. The capacity to take the economy out of such a slooping development is hampered by the extreme privatization of financial systems. (Cf. the Japanese crisis persisting in twenty-five years from 1990.)

7) Likewise, there will be a tendency to a fall in the rate of interest, and a low rate can plague the economy for very long periods, a condition which perhaps can be sublated only by a war economy.

8) The significance of there being developed a high price of soil will, however, be diminished by the main basic factor leading to the exclusion of real subsumtion in industry, namely, the absence of a clearly defined private property of soil.²⁷

9) On the other hand, since the system is devoid of a set of production prices, there is no clear econonomically 27 While the main viewpoint of this author implies that basic property relations in Russia have *not* changed substantially since 1991, it is evident that the claims for change, and the resulting faction strifes between state, provinces and members of earlier collective farms have

brought to light the critical position in Russia in a way still not clearly brought to the fore in other patrimonial-capitalist structures. See especially Lindsay [34]. Furthermore, see Pomeranz, [35].

formulated limit to ground rent and the misuse of natural resouces on land, inclusive of labour forces of all kinds—traditional and modern.²⁸ The members of the landowning class is therefore a viable force in patrimonial capitalism, in distinction from Western countries.

10) For the same reasons, the members of the landowning class, and the members of the capitalist class, intermingle. Because of the existence of wage labour, and consequently of a distinct industrial capitalism, the absolute contradiction between the categories of "Capital" and "Landed Property" is upheld. But the solution of the contradicton is sought in a downplayed rate of capital accumulation. In fact, being a landowner sets an individual much in the same social situation as being a factory owner, which proves that the old ideal of unity between manufacture and agriculture remains. But the contadiction between the forms *of property* is of course upheld. A landed property can never be capitalist as such.

Let us set out at a more verbal summary with a reflection on these last points. A main issue in our exposition is that capitalist activity in poor countries relies on formal subsumtion of the workforce. This means that the wage form, not regular machinery, is the main instrument in enforcing work discipline. In the Western European form of genesis of capitalism, this lead to continuous lamentation from owner's side on the lack of discipline: "Hence the complaint that the workers lack discipline runs through the whole period of manufacture" (Marx [2] p. 490 & [3], p. 390). That this is a serious problem in the great majority of manual work processes in patrimonial industry seems clear, although it is to some extent hidden and compensated for by the use of military-like drill vis-à-vis the work-force. In Russian industry, before 1917 as well as before 1991 and before 2017, it is a documented fact to such a degree that one could ascribe that country's economic breakdown to it. Although the degree of undisciplined work varies, it is always there, although it can be cured periodically to an astonishing degree when procuction is led by foreign FDI-capital. An analysis of labour productivity implicitly tells a good deal about discipline.²⁹

However, the most basic relation when it comes to estimate the degree of subsumtion of labour under capital is simply research-guided intuition relating to the significance of the original property relations in the countryside; for here, in every capitalist nation, the basis from which capital has to accomplish an expropriation is present. In Tudor England, the expropriation was radical, and by diverse means, not least the unprecedented rise in the Western European population, made it an enduring success for the whole of Western capitalist order. Nothing keeps people in their place in industrial society more than the forlorn hope of getting back to the old order. Patrimonial capitalism of our days, however, has never been in the vicinity of such a way of dominating the populace. Let us take an example of perhaps the most impressive kind, since it concerns the largest national population presently, as well as the alledgedly biggest exporter of goods to the world market:

Cindy Fan ([36] passim) writes about the Chinese working class that its countryside is still the basis of safety for village migrants and their families. Firstly, these peasant (*i.e.* "migration workers") have access to agricultural land, secondly, people have no right to sell such land, and change of use is dependent on "government authorities". Thirdly, Fan finds that the system of migrant work, rather than loosening the ties with the countryside, has the contrary effect of joining the migrant families in the task of conserving rights of use, to keep a safety valve in the case of industrial sloops. This socially conditioned attraction between wage worker an landed property has also got to do with the fact that a right to a housing site is fundamental to so many Chinese, being a sign that they can marry and form a family—*i.e.* take part in reconstructing precisely the more fundamental institutions of old. Unfortunately, one may fear that such an end result represents a universal tendency in the development of what is so misconceived being called "emerging markets".

12. Some Perspectives

The most important original aim for writing this article was to uncover the nature of a certain theory (and to my mind a vulgar one) of "factors" of production, as employed in the study of international trade. There soon was a materialized need for connecting this theory with more advanced ones. I have tried to expose an ideological proximity between what is here called the theory of "factors", and another quite widespread set of viewpoints in so-called "radical" or "heterodox" economics, namely, the thesis that the total wage of the working class in a na-

²⁸Outside of Japan, where a constructive side-product of the feudal background was a free class of smallholding peasans. See also Marx [2], p. 878 & [3], p. 745.

²⁹The Chinese labour force is in total around 750 million people. The economy as a whole is today highly dependent on foreign investments. Still, such investments have accumulated a labour force of only around 24 million. John Whalleyand Xian Xin [37] hold that the productivity of labour per firm among the latter is *nine times* higher in the latter than in the "indigeneously" manned industry.

tion in some way—measured in value and/or material use-values—must be used as an independent variable in a system that otherwise will appear as indetermined.

David Ricardo, whose theory-building ought to be considered with a higher degree of respect than the abovementioned, was among the first to open up for considering the wage in such a way. In practice, it is difficult to see that he actually did so. His clear opinion that the national economy was based on real wages, did not lead him into Platonic model building, as might easily have been the consequence, had he seriously adopted a "corn model" in the way he was interpreted by Piero Sraffa.

Also, Ricardo's theory-building, in spite of his extensive use of monetary theory, never led him into illusions as to the social power of gold as money, a fetish unveiled by Marx, but which, however, is noticeable among "neo-Ricardians" of the day—directly and indirectly critized in this article. Ricardo's separation between "values" and "riches" ([12] Chapter XX), and the clear distinctions in his chapter on foreign trade, seem persuasive to this effect. However, his confusion of exchange value and use value when it came to the basics of money, was disastrous.

Given this actual, inner provenience of the contemporary theory of the wage as a variable, its connection with the influential three-class distribution theory of Ricardo can scarcely be contested. Marx's section of the wage was apparently a carefully selected number of manuscripts originally thought to be used in a specific book on *Die Lohnarbeit*, which would also be accompanied by a book on landed property. Originally, Marx's plan for his main work followed the three-class divisions treated in the *Grundrisse*. In the section on the wage, and especially in the last pages of Chapter 20 of *Capital* I, Marx makes use of his view of the intensity-differences to deliver brief comments on the force of Western capital, especially in relation to Russian production modes. In fact, this is perhaps the only place in *Capital*—with a possible reservation for his earlier comment on "manufacturer and boyar (Fabrikant und Bojar)" where the uneven economic basis for capitalist entrepreneurship becomes a theme. If we combine this with the fact that Marx later turned his interest to the field of Russian landownership, we may be on the treshold of legitimating a new and fruitful field of economic studies.

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