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# MARX'S PLAN IN THE "CRITIQUE OF POLITICAL ECONOMY" AND THE CRISIS IN THE WORLD MARKET

By Kiyoshi MATSUI\*

## Introduction

With respect to the plan of consolidating a system of political economy which was made clear in the preface or introduction to the "*Critique of Political Economy*" written by Marx, a variety of arguments were in truth caused to appear in the circle of Japanese Marxian economists during the period after World War II. We might just as well call this the "plan controversy" for the sake of simplicity. It appears to me that all this "plan controversy" had to arise because of, roughly speaking, three different ways of looking at the problem at issue. The first one of them is the problem of "what the system of political economy should be" and "what kinds of branches of science it should be composed of", which can well be said to be none other than the very cognition of how the critique of political economy should be made. Professor Samezo Kuruma<sup>1)</sup> and Professor Kozo Uno<sup>2)</sup> can be counted as representing this way of thinking. The second one is the cognition of the problem held by those who are doing research on the subject of the crisis. There is no need to say, as is well-known, that the subject of the world market and the crisis in it was treated at the end of the plan already mentioned. The primary cognition of this subject in this case lies in how any abstract theory of crisis can deal with such a problem as the real crisis in the world market, i. e. an embodiment of crisis theories. The works of Professor Kojiro Takagi<sup>3)</sup> provided a good example of such an approach. The third one is the particular way of approach maintained by researchers dealing with the problems of the international economy or world economy. Paragraphs 4 and 5 of the plan mentioned, given in the introductory remarks and paragraphs 5 and 6 given in the preface, are concerned with the international economy as well as the world economy. How to elucidate these various problems on the basis of a Marxian inter-

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1) Samezo Kuruma, *Study on Views of Crisis*, Otsuki Shoten, 1962.

2) Kozo Uno, *Methodology of Economics*, Tokyo University Press, 1962.

3) Kojiro Takagi, *Introduction to the Theory of Crisis*, Otsuki Shoten, 1956.

pretation was the cognition of the problems to be solved for this group of researchers. My "*System of the Theory of the World Economy*" comes under this grouping<sup>4)</sup>. Here the way how the problems are taken up is divided into three, but this provisional classification is made only to show that in each case particular emphasis is given to a different point, and it must be noted that the problem in itself is, needless to say, definitely not of a plural but of a singular nature.

With respect to these arguments of varied kinds, Professor Susumu Yoshinobu gave a well-arranged summary of the problems, an introduction to the various arguments, and comments of his own, in his "Basic Report"<sup>5)</sup> for a symposium called the "Logical Systematization of International Economic Research". Since then other treatises have been made public from time to time, but they made no new developments of any importance in this field. And so it would not be a big mistake to regard the "Report" of Professor Yoshinobu as an almost complete summarization of practically all the arguments brought forth so far at the present stage. There are not a few points in the view of Professor Yoshinobu, with which I agree, but there are also some points of difference in opinion though they are minor. Besides, Professor Yoshinobu has not gone far enough to complete the particular work which would show how the latter part of Marxian designing should be developed, starting from the plan already mentioned and what kind of contents it should be composed of.

One of the most important problems taken up in the argument was primarily concerned with the specific problem of determining whether any theory relating to the world economy should be contained in the latter half of the Marxian economic system, or whether such theories should be treated as a separate and specific branch of economics, on the grounds that the systematic theory of economics needs nothing added to it, because it has been completed in every point in the form of "*Capital*" as maintained in the view held by Professor Uno. My view is of the former type, and although my opinion has undergone some modifications little by little each time a number of my books or essays have been published in succession<sup>6)</sup>, my standpoint in my latest work "*The System*

4) Kiyoshi Matsui, *The System of the Theory of the World Economy*, Nippon Hyoronsha, 1963.

5) Susumu Yoshinobu, "Theoretical Systematization of International Economics", *The World Economics Review*, 1966.

6) Kiyoshi Matsui, *Principles of World Economics*, Nippon Hyoronsha, 1954; *Theoretical Problems of the World Economics*, Minerva Shobo, 1956; *Fundamental Law of Economics of Current Capitalism*, in series of *Lectures on Current Capitalism*, Toyo Keizai Shinpo, Vol. 1, 1958; Note on Foreign Trade, in *Collected Essays in Commemoration of 40th Anniversary of Foundation of the Faculty of Economics, Kyoto University*, 1959.

of the *Theory of the World Economy*", remains the same in every substantial point. About this there is a misunderstanding on the part of some critics of my view, and some of them have the erroneous idea that my present view has changed into the latter way of thinking<sup>7)</sup>. The reason why such a misunderstanding has been produced may be partly because my explanation might have been insufficient, but above all other things mainly because my critics have not read "*The System of the Theory of the World Economy*" to the end. Judging from the way the contents, such as foreign trade, international capital movement and foreign exchange were arranged in Part I and so on, it should be clear enough that what was taken up there was none other than an embodiment of his theories, and that they are in no sense anything like a "stage theory". I shall further discuss this in detail when I touch upon this argument later. It also appears that the very idea of including the problem of the world economy in the latter part of the "system of political economy" by Marx is beginning to be accepted gradually by the majority according to the latest researches in the socialist countries. For example, see Part I of Volume I of the "*System of the Socialist World Economy*" which is composed of joint researches of the Academy of Sciences of USSR, which has been translated into the Japanese language. "Karl Marx made the following classification when he was preparing to write his "system of political economy"—first a general and abstract definition, second the category to form inner mechanism of a bourgeois society, third a state or nation which is a concentrated representation of a bourgeois society, fourth the international organization of production, international division of labour, international trade, exports and imports, exchange rate, fifth the world market and the crisis in it. In this way, when a certain stage of analysis is attained towards the necessity of studying the world economy by following the pattern of proceeding from something individual and abstract to something more complex and concrete, it would become possible for us to determine its position in systematic political economy. It would only become possible, to say the least of it, for a variety of studies on the specific problems of the world economy to be carried out efficiently and adequately when the fundamental categories which could elucidate the substantial nature of a particular economy at an advanced stage, which might have been attained by going through the process of advancing from capitalist economy, especially from the economy of the individual towards the economy of the whole", had been established<sup>8)</sup>.

7) Kyuzo Asobe, *History of Studies of 'Capital'*, Minerva Shobo, 1958.

8) *The System of the Socialist World Economy*, ed. by the Academy of Sciences of USSR, Vol. 1, Pt. 1, 1968, p. 7. (It appears that there are many mistranslations in this Japanese version, but they are used as they are.)

Now, the second important point in the problem with respect to the argument is how to develop the content for the latter half of the system mentioned, in which the world economy should be included. At this point the reason why it is written "with respect to the argument" instead of "in the argument mentioned" is because, very strange though it is, and very regrettable though it is, such an argument has always been set forth about the subject of "what the latter half of the system mentioned should be", and scarcely no argument has ever been brought forth about its contents. As to the contents of the latter half of the system, Professor Toichi Nawa and I myself have been in a habit of contending, since pre war times, that it should be composed of those theories which were advanced by Marx, such as foreign trade, international capital movement and foreign exchange, etc., though it has to be admitted that those theories were defective and incomplete in many points. With respect to this problem, it is observed that studies of the theories of foreign trade and theories of international value and prices which are based on the Marxian economics have been carried out extensively and successfully in post war days in many socialist countries. It is true that there is a difference between the objects of study, such as the capitalist world economy and the socialist world economy, but if seen from the angle of the contents which should be included in the latter half of the systematic thought of Marxian economics, they are identical, and it appears that our way of thinking with respect to this problem is also winning support of the majority. The present paper is intended to treat the "plan controversy" in Section I, chiefly on the basis of the "Report" of Professor Yoshinobu and to treat the contents for the latter half of the "systems of political economy" in Section II, chiefly on the basis of my "*System of the Theory of the World Economy*". In Section III I briefly touch on studies of the same problems in socialist countries.

## I Plan Controversy

### (1) Transition from the First Half to the Latter Half of the Marxian System of Political Economy

My view with respect to this problem has undergone some modifications, varying little by little as seen in my various essays which I published previously and finally as seen in my "*System of the Theory of the World Economy*". If my view in the last mentioned publication is compared with my view at present, I think that there are a few points of difference, though of no substantial change, about which I must make some corrections regarding my way of expressions. Now, I shall first

give here an outline of my view and then proceed to make some corrections. My view as contended in my "*System of the Theory of the World Economy*" may be summarized as follows<sup>9)</sup>:

1. In the plan with respect to the political economy presented in the "*Critique of the Political Economy*" it is only (a) capital in general, (b) land property, and (c) wage labour that Marx dealt with in "*Capital*" systematically, and those subjects which follow, such as (d) the state, (e) foreign trade, and (f) world market were not dealt with systematically except for a few exception. About this several disputes arose some time ago between Professor Kuruma and Professor Uno. Professor Kuruma made his standpoint clear by asserting that it is only about (a) capital in general that Marx gave some clear explanations in "*Capital*". However, if it is considered that the law of capital and the law of surplus value could not be completed until such a time when not only the production of surplus value but also its distribution should be made clear, it naturally follows that "*Capital*" should have given explanations about such problems as land property and wage labour. But as a matter of fact those problems were taken up to some extent, if not completely, in "*Capital*". Therefore, Marx did treat these problems not only in (1) but also in (2) and (3) of "*Capital*". Such was the view of Professor Uno. At the beginning I used to have an idea similar to that of Kuruma's opinion, but I gradually inclined towards having an idea close to Uno's opinion. Needless to say, even when I say this, it only holds good within a limited point of view to maintain that the first three subjects should be treated in "*Capital*" and that they were actually treated there, and with respect to the other view points I have an idea fundamentally different, as will be made clear later. Why my idea came to turn towards such a way of thinking is owing to the influence, to a great extent, of the view held by Professor G. Kohlmey of the Academy of Sciences of the German Democratic Republic<sup>10)</sup>.

2. On the one hand the headings for (1), (2) and (3) are something concerned with abstract and general conditions of capitalism, while on the other those for (4), (5) and (6) are something concerned with concrete and historical conditions. Marx made the following statement in his "*Critique of Political Economy*". "Under the first three heads I examine the conditions of the economic existence of the three great classes, which make up modern bourgeois society; the connection of the three remaining heads is self evident. The first part of the first book, treating

9) Kiyoshi Matsui, *The System of the Theory of the World Economy*, p.4- .

10) G. Kohlmey, "Die abstrakt-allgemeiner und die konkret-historischen Bedingungen des ökonomischen Grundgesetz des Kapitalismus", *Wirtschaftswissenschaft*, H. 4, 1955.

of capital, consists of the following chapters: Chapters 1—commodity, Chapter 2—money or simple circulation, and Chapter 3—capital in general. The first two chapters from the contents of the present work."<sup>11)</sup> Now, it is clear that, as is understandable from this statement, Marx had in some way or other a line of demarcation in his mind between the first three subjects and the remaining three subjects, although no narration was given, showing what that distinction actually meant. And there is no doubt that many disputants are of the same opinion, in holding that the first three headings are concerned with the abstract and general conditions of capitalism, and the remaining three headings with the concrete and historical conditions of capitalism. Professor Uno holds the same view and so does Professor Kohlmey. I also have no objection to it.

3. In the meantime, even if the headings for (4), (5) and (6) are specified as being concrete and historical, the general law of capitalism naturally penetrates there, and even if the headings for (1), (2) and (3) are taken as being abstract and general, contributing factor is naturally to be included there to make them advance to a stage wherein a concrete and historical condition is included. The concrete conditions for Marx were not anything ideological, like the given condition in modern economic theories, but were something given historically. My view, being inclined to think in this way, is fundamentally different from the view held by Professor Uno, who has given up the theoretical grasping of the headings for (4), (5) and (6). I am of the opinion that the general laws of capitalism in a more concrete form should be treated under the headings of (4), (5) and (6). According to Professor Kohlmey it is called the general and historical condition of capitalism. All that was said represents my views as expressed in my books and essays published so far, which are briefly given in my "*System of the Theory of the World Economy*". But a thought that awoken in my mind at the present moment makes me think that it is necessary to add a few additional commentaries.

(a) To begin with, how should logical development from something abstract to something concrete be grasped in the manner of Marx? The logic of "*Capital*" started from a most simple and most abstract category, such as "commodity", and kept advancing successively towards a more and more complex and concrete category, finally arriving at a most general and concrete category, such as the varied kinds of classes. But what was meant here by the varied kinds of classe were not particular classes, such as capitalistic land-owners and labourers in a concrete form, but classes in general, which compose the inner formation of a capitalist

11) K. Marx, *Critique of Political Economy*, Tr. by N. I. Stone, p.9.

society. Though specified as the most concrete category to which the logic of "*Capital*" arrived at, it is in every respect merely a logical category and not a historical category itself. But it can be seen that the way of logical development, starting from a most abstract category and successively arriving at a most concrete category, does correspond to historical development and that the motives for this logical development are given historically, and that the most concrete and logical category arrived at as a final stage does correspond to the historical realities of a capitalist society. The contention that the logical category and the historical category do not come into direct accord with each other without the instrumentality of some medium is exactly what was clearly pointed out by Marx himself in "the Method of Political Economy" contained in the introductory remarks to his "*Critique of Political Economy*".

(b) It is possible to understand that logical development and transition from the heading for (1) to (3) mean an advance in this way from something abstract to something concrete. But I think that my old view of regarding the way of arrangement of the subject matter from (4) to (6) as an advance from something abstract to something concrete, in the same sense of the word as applied in the foregoing sentence, and similar views held by some others seem to be wrong. There arises, in the specific course of transition from (3) to (4), a questionable problem with respect to the specific way of their transition, in addition to a mere advance, and because the motive for such a transition must be a historical condition in the form of the class struggle, the question of the category of the state to be drawn from the class struggle must be answered. As a result of the appearance of "the state", "the foreign trade" and "the world market" naturally come to appear. It is true that the development of history is taking the direction of a transition from national economy to world economy, but we can see that the establishment of this world economy is not leading to the extinction of national economy, and that both of them simultaneously co-exist. Such a logical advance that should be made in logical accordance with historical reality could not be a mere ordinary advance, but a spiral advance which includes the other preceding categories. The world market in its most concrete form must be one wherein many other national-scale markets are included. I am confident that this idea will shed light upon the relative position of the problem of international value to some of those who might have doubts in starting the discussion from that point. Viewing downwards from the reality of world capitalism, Marx arrived at an abstract theory of value, but when we trace the descending course from the reality of world capitalism in which a number of national-scale capitalisms are involved, we arrive at an abstract theory



of international value. I can not help raising an objection to such a view as that held by Professor K. Yukizawa, who maintains that any problem on the subject of international economics should be argued from the starting point of the production price<sup>12)</sup>.

(c) As is clear from all that has been discussed so far, even though it is stated that the subject matter for (1), (2) and (3) is concerned with the treatment of the abstract and general conditions of capitalism and that for (4), (5) and (6) the treatment of historical conditions, it does not follow that the former is an argument concerned with the "basic theory" and the latter an argument concerned with the "stage theory", as asserted by Professor Uno. Contrariwisely, those six subjects happen to be the respective headings of one economic system making an advancing movement from the abstract to the concrete, and they are simultaneously both logical and historical. If Professor Kohlmey's words are quoted, either one of them is of a general and historical nature. When Professor Kohlmey states that the first half of systematic thought is something abstract and general, and the latter half something concrete and historical, I can agree, as long as such an expression implies those characteristics of the stages through which the general law comes to be embodied in a concrete form, that it is right. In forming this idea I am indebted to not a few suggestive instructions given me by Professor Yoshinobu<sup>13)</sup>.

## (2) The State

Under the heading of "the state" Marx included such sub-titles as the organizing of bourgeois society in the form of the state, unproductive classes, taxes, public debts, public credit, population, colonies and immigration. Two headings of colonies and immigration among these sub-titles belong to the category of the state, and it was made clear that subjects like colonies and immigration among them should belong to the category of the state in the limited sense of its external relations, and that they should be included in the heading for (4) in a similar manner as foreign trade is included there, according to the plan described in the introductory remarks<sup>14)</sup>.

In connection with the category of the state Assistant Professor J. Ikegami has given the following explanation of the economic functions of the state<sup>15)</sup>. A state as an "unproductive class" purchases commodities, employs labourers and office clerks and collects "taxes" to appropriate these expense solely for the purpose of class suppression and military rein-

12) Kenzo Yukizawa, *Introduction to the World Economics*, Minerva Shobo, 1957.

13) Susumu Yoshinobu, System of Critique of Political Economy and 'Capital', in *Complete Works of Marxian Economics*, Vol. 2, p. 239.

14) *Ibid.*, p. 242.

15) Jun Ikegami, *State Monopolistic Capitalism*, Yuhikaku, 1965, p. 56.

forcement. These procurements of commodities and collection of taxes are carried out through the mighty power of the state, which is a reasonable act in opposition to the free price competition mechanism. The "public debt", which is an act of liability of a state, is also a violation of the basic principle of "clear government" if viewed from the angle that the excess of national liabilities after all causes a vicious cycle of heavy taxes. "Population" taken up under this heading is no longer that which is produced out of the three major classes, and every layer of class that is subject to the command of an authoritarian nation is to be taken up in a concrete form. In keeping with the establishment of a central bank, all state operated institutions come to have their aim placed on the whole people<sup>16)</sup>. After giving such an explanation, Assistant Professor Ikegami stressed the necessity of realizing the mutual interaction between the underlying structure mentioned and the upper structure, in addition to his assumption that the foregoing description is the category which provides an economic foundation with a state. This shows that Professor Sugimoto follows the same way of thinking as in the case when he stressed the "logic of reformation" in trying to explain the plan, which is right as long as this "logic of reformation" is unified with the "logic of contradiction" arising from the foundation. For that reason I think that Assistant Professor Ikegami is also right in asserting that the transition from (3) to (4) can not be regarded as the transition from the "logic of commodities" to the "logic of classes". But in such a case it would be impossible to explain the transition from (3) to (4) only by stressing the unproductive nature of the state. Or, it is impossible, though this is a mere repetition of what was said, to develop the logical content of all that is taken up in (4), (5) and (6). It is necessary to make a special note of the fact, in addition to the mere realization of the unproductive nature of the state, that the disbursement for all the expenses of the unproductive nature of the state in turn reacts so as to stimulate the further accumulation of capital. The *"Political Economy: Textbook"* compiled by the Academy of Sciences of USSR contains the following summary in the part where "national income" is taken up<sup>17)</sup>:

1. National income in a capitalist society represents that part which has been embodied in the form of value newly created among total products socially produced.

2. The distribution of the national income under capitalism is carried out in such a manner as to enrich the exploiting class. The

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16) *Ibid.*

17) *Political Economy: Textbook*, Suppl. & Rev. Ed., The Academy of Sciences of USSR, Godo Shuppansha, 1946, Pt. 2, pp.337-338.

share of national income distribution on the part of the working class tends to become smaller, and that for exploiting class to become greater.

3. Under capitalism the national income is redistributed through the national budget and by paying more to service relations. This way of redistribution increasingly aggravates the poverty-stricken situation of the workers.

4. The capitalist utilizes a huge part, which is ever growing greater and greater, of the national income for unproductive purposes—the parasitic expenditure of the bourgeoisie, greater circulation expenses, reinforcement of the national mechanism to suppress the people at large, and increases in disbursement to carry out necessary preparations for a plundering war.

As demonstrated here, under these circumstances the logic of national income is the "logic of capital" and at the same time it is also the "logic of class". Therefore, as is pointed out by Assistant Professor Ikegami, even if it is wrong to grasp the state simply as a "generalized entity of all economic processes", it is not wrong to grasp it through a unified idea with the "logic of class", but exactly to the contrary it is even a necessity to do so. It is not anything like eclecticism.

Now, at this point I shall touch on the concept of the state in the field of political economy of the classical school. As is well-known, the political economy of classical school grasped the state as something unproductive and as something detrimental to the operation of the price mechanism. Such an idea of the state comes to be reflected when the international economy is taken up. Ricardo attempted to make a distinction between a national economy and an international economy on the basis of the mobility and non-mobility of labour and capital. In doing so, the state is regarded as an element impeding free competition. It is on account of such an idea that he said that the same law of value which has a commanding control within one state is not applicable to the relations between two different states. However, in holding such an idea Ricardo failed to realize that, while "a state" plays the role of an element detrimental to free competition on the one hand, on the contrary and at the same time a state has an influence that encourages such competition on the other. A state prevents the movement of capital on some occasions, but, contrariwisely, it also facilitates such a movement on other occasions. The law of value within one state generally is to be modified in a different shape by the existence of such a state, but by going through such modification it penetrates into the international scale.

(3) International Relationships of Production, International Division of Labour, International Exchange, Exports and Imports, and Exchange

## Rates

Here I shall now try to make clear, from an angle which is different from all that has been discussed so far, that all these subject belong to a logical category and that they are the subject matter of the system of political economy. The reason for doing so is because both Marx and Lenin asserted in the part where they discussed the subject of reproduction that foreign trade should be regarded as something historical and that it should be abstracted, logically speaking. For example Marx made the following assertion: Capitalist production does not exist at all without foreign commerce. But when one assumes normal annual reproduction on a given scale one also assumes that foreign commerce only replaces home products by articles of other use—or bodily form, without affecting value-relations, hence without affecting either the value-relations in which the two categories “means of production” and “articles of consumption” mutually exchange, or the relations between constant capital, variable capital, and surplus value, into which the value of the product of each of these categories may be divided. The involvement of foreign commerce in analysing annually reproduced value of products can therefore only confuse without contributing any new element of the problem, or of its solution. For this reason it must be entirely discarded.”<sup>18)</sup> Any theory relating to social production or any theory relating to the problem of the market is primarily concerned with the purpose of clarifying the adaptable relationships between value and use value arising between independent parts of social production. Therefore, the law of unbalanced development inherent in capitalism is included in these theories, but the disequilibrium between independent parts caused by this unbalanced development is tentatively abstracted. Why, then, such abstraction had to be made is because it was not only unnecessary to make an assumption of such unbalance, but also in fact it was harmful when it was intended to clarify the theory of social reproduction, as clearly stated by Marx in the above quotation. Lenin made a statement to the same effect in the passage where he developed his theory of the market in the book entitled “*The Development of Capitalism in Russia*”<sup>19)</sup>. Lenin’s explanation is far more straightforward than Marx’s, and it is clearly pointed out that the necessity of foreign trade is not of a logical nature but of a historical nature. Moreover, Lenin made the necessity of foreign trade clear in a more positive form by dividing such necessity into three aspects<sup>20)</sup>. (1) Capitalism came into existence as the result of an extensive circulation of commodities

18) K. Marx, *Capital*, Moscow Ed., Vol. 2, p.474.

19) V. I. Lenin, *Development of Capitalism in Russia*, *Collected Works of V. I. Lenin*, Vol. 3, p.64.

20) *Ibid.*, p. 65.

which flowed out of the border line. In that sense capitalism was closely tied to the world market through foreign trade from the very beginning of its establishment. In this case capitalism is caused to be established by foreign trade, but its necessity is of a historical nature. (2) Capitalism once established in this way, the world market in turn is caused to be formed by capitalism. The theory of social reproduction advanced by Marx was originally intended not to explain the reproduction which was being carried on in realities then, but to explain the suitable relationships arising from each individual part of social production by setting up an average standard of the move of ceaseless commotion. The relationship of suitability set up in abstraction is incessantly being destroyed on account of the isolation of each individual producer who is supposed to be working for a market unknown to him in reality. Varied fields of industry which are mutually in operation for the market do not develop uniformly and they are mutually in competition. Then those industries which can develop better than the others are placed in a situation which makes it indispensable for them to depend on foreign trade in obtaining their raw materials and in selling their products. This necessity for foreign trade is also of a historical nature. (3) Reproduction in those days that preceded the capitalistic period was nothing but reproduction of the production process of the then conventional scale. On the contrary, capitalistic production is characterised by ceaseless innovations in the means of production and an unlimited expansion of the production scale. In those days of the old method of production the operating unit remained invariable in its nature and in its scale, and a small-scaled market nearby was good enough, and such a market could survive for centuries without expanding its narrow limit. In making a sharp contrast with it, any capitalistic enterprise inevitably expands itself beyond its local market and the national boundary. Again, under such circumstances capitalism creates channels of foreign trade out of its own necessity arising from its own tendency towards unlimited expansion, finding its way finally to the world market. This necessity is also of a historical nature.

Now, among those who deny the logicality of various categories to be included under the heading of foreign trade as well as under that mentioned (4), some quote passages written by Marx or Lenin when the problem of reproduction is taken up. Nevertheless, I think that the true intention or motive of both Marx and Lenin under such circumstances could be described as follows: the theory of social reproduction is intended to show the relationships of suitability of the value and use value in social production, and to demonstrate the mechanism that is designed to make production not once but in repeated reproduction. Therefore, this

theory is applicable equally not only to the particular capitalism of one state, but also to world capitalism, thus making it unnecessary to take the trouble of adding foreign trade as a category. Supposing that this is added, it follows that an excess in the exports of one country would mean an excess in imports of another country; then, looking at it from the aspect of the whole world, plus and minus would be balanced off, making no difference without such trade. For this reason, whenever the problem of capitalistic reproduction is to be discussed in general or in abstraction, it would cause no trouble if foreign trade were disregarded, or rather it would be useful to do so in the sense that such abstraction would serve the purpose of making the problem show up in a clearer way. Nevertheless, as logic advances, and particularly after a historical condition such as a state is once introduced, foreign trade naturally comes to be treated as a subject of political economy, or rather it should be made such. As far as its logicality is concerned, it is of an abstract and general nature, but as far as a historical condition is introduced, it is of a concrete and historical nature. If Professor Kohlmey's wording is quoted, it is a general and historical category.

Although the international capital movement was not included in Marx's "international relationships of production", whenever any problem of the international relationships of production is to be taken up at the historical stage at present, the problem of the international capital movement should be added. The reason is because the international capital movement standing side by side with foreign trade is becoming one of the most conspicuous phenomena at the present stage, which is called monopolistic capitalism, as pointed out also by Lenin<sup>21)</sup>.

#### (4) The World Market and the Crisis in It

Marx made frequent use of such wording as "world market" at many places in his works, and those who may come across this expression are most likely to think, without considering it deeply enough, that it means one single global market. Again, even among those who theoretically take up the problem of the world market there are not a few people who have such a concept of the world market in their mind. Nevertheless, as is clear from what has been discussed so far, according to Marx the international relationships of production were placed between one state and the world market, and the world market was regarded in his mind not as something global but as the international market plus its international relationships of a plural nature. About this point Professor Kohlmey made the following statement. "By the capitalist world market is meant a manifold compound of the combinations of the economic

21) V. I. Lenin, *Imperialism, Collected Works of V. I. Lenin*, Vol. 22, p. 240.

activities of a number of independent individual markets of various countries which are operated in the form of the circulation of commodities."<sup>22</sup>) Professor Kohlmey further added that the world market is part of the world economy. When Marx was using the words "world market", it can in all likelihood be presumed the idea of the international capital movement was not taken into account in his mind. On the contrary Lenin, who emphasized the importance of the international capital movement, was in the habit of frequently using the words "world economy" instead of "world market".

Taking this opportunity, I shall add a word of comment about the relation of words such as "international economy" and "world economy", which gave rise to quite a few arguments in this country. Despite my reflections on the results of the various arguments, it appears to me that there is no reason why I should modify or change my view which was made clear in my *"System of the Theory of the World Economy"* principally based on Professor Kohlmey's ideas. When the words "international economy" or "world economy" are used, the quality of the content in each case is not necessarily found to be identical with each other. The former is of Anglo-Saxon origin and the latter Continental (*Weltwirtschaft*). For this reason there is, indeed, a difference in nuance. Excluding this difference in nature, the content is qualitatively identical. "World market" or "world economy" implies a more general concept than "international economy" or "international market". As a proof of this, we find today a great many points in common between the problems arising out of the concept of the world economy of Continental origin and those out of the international economy of Anglo-Saxon origin. Problems such as comparative cost, international value, international balance, exchange rate, etc., have been taken up from the aspect of the world economy. Taking Professor Kohlmey as an example, when he writes about the relations between commodities and money in the world market, he develops his discussion, then, of the problems pertaining to foreign trade, international value, international currency, international credit, foreign exchange, etc.

Finally, I shall put down a few words of comment on the problem of "the world market and the crisis in it", as it may serve to help readers to understand how it is connected with the next topics of discussion. Marx made the following statement in his *"Theories of Surplus Value"*. "And in a consideration of bourgeois economy, that is the important thing. The world trade crisis must be regarded as the real concentration and forcible adjustment of all the contradictions of bourgeois economy.

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22) G. Kohlmey, *Socialist World Market*, Tr. by K. Matsui & S. Yoshinobu, Nippon Hyoronsha, 1955, p. 24.

The individual factors, which are condensed in these crises, must therefore emerge and must be described in each sphere of bourgeois economy and the further we advance in our examination of the latter, the more aspects of this conflict must be traced on the one hand, and on the other hand it must be shown that its more abstract forms are recurring and are contained in the more concrete forms.<sup>23)</sup>

We have arrived at the "state" as a colligation of the first half of the plan. In other words, it gives us a vivid picture of how the authority of the state came into existence as an organ to suppress all the contradictions of capitalism. Each of the headings included in the first half of the plan are all led to arrive at the state, as a suppressive organ of the class struggles arising out of these contradictions, by making all contradictions included in the respective headings clear. The latter half of the plan is allotted to explanations of the more complex contradictions. Contradictions of such complexity are led to cause the world market crisis as a practical inclusion and a compulsory solution of all contradictions in the world market. As a result, the class struggle and strife between two imperialistic countries as well as between an imperialist country and a colony become more and more aggravated. Just as the system of political economy from the first half to the latter half is penetrated by the "logic of contradictions" of Marx and colligated by the "state", so the thought in the latter half is penetrated by the "logic of contradictions" and colligated by the "world market crisis".

## II Approach to the World Market Crisis

### (1) Contents of the Latter Half

With respect to this problem Assistant Professor Sugimoto wrote an interesting essay, though his conclusion shows a great difference from mine. According to him, (1) the system of political economy held respectively by Marx and Lenin is consolidated into the theory of "social reformation" respectively at the stage of industrial capitalism and the stage of monopoly capitalism. (2) The theory of "social reformation" prescribes the ultimate categories of the system of political economy. Therefore, those other categories which were taken up previously have an indispensable relationship without which the ultimate categories can not be elucidated. (3) By the process of logical ascending is meant the logic of advance in the above-mentioned meaning<sup>24)</sup>. When he made these statements, isn't it possible to think that the Professor might have

23) K. Marx, *Theories of Surplus Value*, Moscow Ed., Pt. 2, p. 510.

24) Shohichi Sugimoto, *Fundamental Problems pertaining to Marx's System of Political Economy*, The Institute of Economic Research, Kyoto University, 1966, p. 10.



had a confused idea about identifying the objective "logic of contradictions" with the subjective "logic of reformation"? "The logic of reformation" is nothing other than the subjective grasping of the "logic of contradictions" by the suppressed class. Therefore, even if it is contended as "logic", it is subjective logic, which belongs to the historical category mentioned here. It is natural that his idea relating to the latter half of the system of political economy should be considerably different from that of mine, owing to his emphasis on the subjective logic. Assistant Professor Sugimoto, pointing out the title of my book "*System of the Theory of the World Economy*", described the particular way of approach of this work as an attempt to systematize the problems of the world economy by giving the content to the latter half of the plan in Marx's "*Critique of Political Economy*", and made the following criticism. "In this connection I can not help pointing out one queer reality. Not a few researchers have discussed the general elucidation of the latter half of the plan, yet none of them have intended to compose a logical system for the problems of the international economy in line with the subject matter to be taken up in the latter half of the plan. This is the fact I want to point out. What can such alienation observable in this method of research mean? It seems to me that such a state of affairs might have been caused by reflecting on the attitude of the fact that there exists a great qualitative difference between the systematization of international economic problems and the logical elucidation of the process of ascending to the latter half of the plan."<sup>25)</sup> There is no knowing whether I am include in "not a few researchers" used in the above quoted passage written by Assistant Professor Sugimoto, but I myself am attempting to systematize, to say the least of it, the theory of the world economy by providing a logical content which chosen subject matter to be included in the latter half of the plan originally designed by Marx. As to myself, I am not satisfied with my present situation when I realize that I discussed the problem pertaining to how the latter half of the plan should be, yet was unable to take up the further study of the determining of its contents—the so-called "unfinished work of the plan", as previously mentioned. For this reason, the criticism with respect to this point made by Assistant Professor Sugimoto may be applicable to "not a few researchers", but is not applicable, I think, to me.

A basic point which distinguishes Assistant Professor Sugimoto from myself lies in the following idea. Though Assistant Professor Sugimoto

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25) *Ibid.*, pp. 17-18. When the "logic of contradiction" is subjectively embodied and historically comes into existence, it will turn into the "logic of class" and the "logic of reformation".

used the term "logic" in connection with the latter half of the systematic thought, it in fact represents something in which the logical category and the historical category are consolidated in one idea without the instrumentality of any medium. This is clear enough if one turns to the various problems listed at the end of his essay as various subjects for the latter half of the system of political economy. For that reason, it may be admitted that there is a difference in whether the "logic of reformation" should be included or not: yet regarding the point about whether the latter half should be composed of items of a historical category or not the professor himself and Professor Uno, whom the professor is so eager to criticize, after all show no difference. Assistant Professor Sugimoto should make a special note of one particular point which means that the identity of a logical category and a historical category is not a direct identity without any instrumentality of medium, as discussed by Marx himself in his "Method of Political Economy". It was meaningful in this sense that Professor Uno persistently tried to press his point hard. Nevertheless, Professor Uno failed to see the point which implies that the two of them ultimately come to be identical with each other, in the particular sense that the two of them must be mutually in a corresponding relationship. The motives for ascending from something abstract to something concrete can not be something obtainable ideologically, but should be something obtainable by descending from the historical actuality, about which an explanation has been already given.

The content I have now in my mind for the latter half of the system is not the historical category which is designed by Professor Uno, but the logical category. As understandable if a glance is given to my "*System of the Theory of the World Economy*", it is composed of a number of problems such as foreign trade, movement of capital, exchange rates, international balance, etc. "The logic of reformation" is to manifest itself as an indication of the "contradictions" inherently arising from each of these problems. And the colligation of all these contradictions is to manifest itself in the form of the breaking out of the world market crisis.

## (2) International Trade

Taking all that has been discussed so far into consideration, I shall here make a brief summary of what I have asserted in my "*System of the Theory of the World Economy*".

As to the various problems in the latter half of the system of political economy, Marx made no systematic statement, though a few piece-meal references were given there. These problems came to be studied rather by modern economic theorists, who were the ideologists of the monopoly

capitalists in those days when the stage of monopoly capitalism came into existence after the Marxian days. Therefore the particular task we have to take up now must be to make every effort to complete the unfinished latter half of the system of political economy through criticism of the opinions on foreign trade and international capital movement, based on the bourgeois economics maintained by economic theorists during the period from the classical school to modern economics in a similar manner as Marx did at the stage of industrial capitalism, i. e. taking after the pattern by which the first half of the political economy was completed through criticism of the economic theorists of the classical school who belonged to the bourgeois economics of those days. Under the heading of international trade there are a number of problems, but what should be taken up is the problem concerned with international value.

Marx himself took up this problem, starting from his criticism of Ricardo. That is to say, he made the following statement in his *Theories of Surplus Value* "Even from the aspect of the theory of Ricardo, three working days of one nation could be replaced with one working day of another nation. The law of value in these circumstances is substantially modified. Putting it in other words, exactly in the same relationship as skilled labour or complicated labour is to unskilled labour or simple labour within one country, labour in different countries is mutually correlated with each other. Under these circumstances the richer country exploits the poorer country, and this holds true even under a specific circumstance under which the poorer country gains some profit as stated by John Stuart Mill in his *Some Unsettled Questions, etc.*"<sup>26)</sup> In this connection Marx pointed out the contradiction and the opposition between two nations, which were inherently to be caused by international trade under capitalism. This constitutes direct antagonism against the advocacy of harmony in international trade urged by some classical economists. As to the problem of international value, a special note should be given about the following passages which were given in the discussion on the subject of national differences in labour wages in Chapter 22, Part 6, Volume I of *Capital*. "The law of value in its international application is yet more modified by this, that on the world-market the more productive national labour reckons also as the more intense, so 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."<sup>27)</sup> "In proportion as capitalist production is developed in a country, in the same proportion

26) Marx, *Theories of Surplus Value*, Pt. 3 (Moscow Ed. not yet published).

27) Marx, *Capital*, Moscow Ed., Vol. 1, Pt. 6, p. 560.

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.<sup>28)</sup> This view of international value held by Marx implies a sharp critical significance against Ricardo's so-called theory of comparative cost. As is widely known, Ricardo set up the following supposition: working hours (80 and 90) necessitated to produce two commodities (X and Y) in a country of high productivity (A) and working hours (120 and 100) necessitated to produce two commodities (X and Y) in a country of low productivity (B). On this supposition the following explanation was given to the effect that the two countries A and B could gain the profit of the foreign trade, even when there is an absolute difference in the level of productivity, if there is a relative difference in the productivity of those two commodities, by exporting such a commodity that has a relative advantage over the other. This idea came to furnish the well-grounded explanation for free trade in later days. Mill called this the "theory of comparative cost". According to Marx, the domestic value of commodities X and Y in country A would be 80 and 90, which would come to be internationally expressed by higher prices (being evaluated at 9/8) and their international values would come to be 90 and 101 respectively. The domestic value of commodities X and Y in country B being 120 and 100, they would come to be internationally expressed by lower prices (being evaluated at 8/9) and their international values would come to be 106 and 88 respectively. Supposing that as a result commodity X is exported from country A, and commodity Y from country B, and each of the two commodities comes to have an international value of 95 and 95 respectively on account of competition, it leads to the conclusion that, although the two countries are relatively gaining some profits out of this foreign trade, because the two countries' exports are carried on at respectively higher prices than their international values, if they are compared with their domestic values prior to the commencement of export, absolutely speaking, country A comes to gain, and country B comes to lose, because the export of the country of high productivity A is to be carried on at a higher international value than its domestic value, and the export of the country of low productivity B is to be carried on at a lower international value than its domestic value<sup>29)</sup>. Under these

28) *Ibid.*, p. 560.

29) Kohlmeij, K, Marx' Theorie von den internationalen Werten mit einigen Schlussfolgerungen für die Preisbildung mit Aussenhandel zwischen den sozialistischen Staaten, in *Probleme der politischen Oekonomie*, 5, 1962, S. 47.

circumstances, fixing his eyes only upon relative profit, Mill called the ratio between the export price of two commodities 95 and 95 the terms of trade, and attempted to make it a standard to determine the profit of foreign trade. The terms of trade can be expressed as follows :

$$\frac{\text{export price}}{\text{import price}}$$

Under these circumstances according to Marx's opinion of international value, a comparison of the price of the goods for export of country A with its domestic value, and the comparison of the export price with its domestic value must be made : and what gives rise to a question here is the absolute profit or loss in foreign trade based on such a comparison. Here again, the logic of international opposition and contradiction penetrates through. If the trade profit of country A is to be called trade effectivity, it can be expressed as follows :

$$\text{Trade effectivity} = \frac{\text{domestic value of imported goods}}{\text{domestic value of exporting goods}} \times \text{terms of trade}$$

This trade effectivity is now being studied intensively by Marxian economists in the socialist countries<sup>30)</sup>.

### (3) Balance of Payments and Exchange Rates

#### (a) Balance of Payments

With respect to the problem of the balance of payments, Marx did not give any systematic discussion except for a few fragmentary writings. How to maintain the equilibrium between the international balance of payments always remained a serious problem, not only for the classical school but also for modern theories. Therefore, our views on this problem must be formed out of criticism of the theories advanced by economists of the classical school as well as by modern economists.

The classical school placed great importance upon the price mechanism in the process of balancing international payments. This mechanism operates in the following way. In a country where the international balance becomes a loss, the exchange rate first goes down. When this rate keeps declining down to the point of gold shipping, gold keeps flowing out. On the other hand, in a country where the international balance results in a profit the reverse phenomenon takes place. Since the classical school presupposed the gold standard, and maintained the quantity theory of money, the decrease of gold causes the decrease of the quantity of money, which makes commodity prices decline. The decline of commodity prices results in the decrease of imports and the increase of exports, and in the long run international payments come to keep balanced.

30) Shigeyasu Susuki, *Socialist Foreign Trade*, Yuhikaku, 1957.

The classical school places emphasis on the effects of prices in the process of balancing international payments, thinking that international payments are intrinsically to be balanced.

On the contrary, modern economic theorists also think that international payments are primarily to be balanced, but they place emphasis not on the effect of prices but on the effect of income. This has some correlations with the fact that their idea was based not on the gold standard but on the managed currency system. When the international balance results in a loss, the decline of the exchange rate begins to take place. But because the gold shipment is prohibited, no immediate flowing out of gold takes place. To bring forth the same effect as gold shipment, a tight-money policy is put into effect. From this, the decrease of imports and the increase of exports are carried out, and thus the balancing of international payments is maintained. Here the effect of income due to a tight-money policy is anticipated. In addition, among modern economic theorists there are some who do not agree with the tight-money policy and who uphold a method of restoring the balance of international payments without tightening money circulation—for example, the importation of foreign capital. This is because there is a fear of it resulting in a curtailed balancing on account of a tight-money policy, although it serves the purpose of balancing. The former consists of a group of scholars who carry the tradition of modern economic theories of Continental origin in their minds, and the latter is a group of those who belong to the Keynesian school. Either group of the two types places emphasis on the effects of income in the process of restoring the balance.

Though there is a difference in that the classical school thinks much of the price effects, and in that the modern economic theorists think much of the effects of income, there is no difference in that both types of thinking have it that international payments come to be balanced. On the contrary, if viewed from the standpoint of Marxian economics, international payments are intrinsically unbalanced exactly in the same conditions as the domestic demand and supply. It is a manifestation of what Marx called the fundamental contradiction of capitalism, such as the "personal nature of ownership and social nature of production". Here, again, the Marxian logic of contradiction is being put into operation.

#### (b) Exchange Rates

Marx pointed out the following two points as causes of the fluctuation of foreign exchange rates. (As one of three points is concerned with a specific problem, it is omitted here.)<sup>31)</sup>

1. Due to immediate balance of payments: It makes no difference

<sup>31)</sup> Marx, *Capital*, Moscow Ed., Vol. 3, p. 591.

whatever cause may be ascribable to this—whether this is caused by some purely commercial reason, by investment in a foreign land or by national disbursement on such occasion as a cash payment made to a foreign country owing to a state of emergency like a war.

2. Due to the value of money of one country: It does not make any difference whether it is metallic money or not. This is purely nominal.

In this case Marx started to explain the fluctuation of the exchange rates as being caused by the balancing of international payments resulting in a loss, but he did not demonstrate how it worked in detail. For that reason frequent controversies came to arise in this country, too, and, at present, arguments may be roughly divided into two opinions: whether to regard the phenomenon of foreign exchange as a phenomenon of interest, or as the selling and buying of bills of exchange. I can not take this problem up here in detail, but I would like to agree with the viewpoint of Professor Kawai, who regards it as a phenomenon of interest<sup>32)</sup>. But I am rather disappointed to learn that the professor seems to think lightly of the point that this phenomenon includes in itself the exchange between different kinds of money, only because of too much emphasis placed on his standpoint to see it as a phenomenon of interest. The meaning why Marx listed the depreciation of money value second in order on his list is no less important than the item listed first in order.

In contrast to the situation in the capitalist world market where international payments are always unbalanced and the foreign exchange rate is fluctuating, (there is a possibility of fluctuation even under the managed currency system), international payments in the socialist world market are substantially balanced and the foreign exchange rate remains stable. This is because foreign trade is being deliberately carried out under a planned monopoly of foreign trade and foreign exchange, and the exchange rate at par is linked with a given quantity of gold.

#### (4) International Capital Movement

Marx himself did not say anything about the international capital movement. However, when he talked about the average profit rate, he made "a comparison of miscellaneous national profit rates"<sup>33)</sup>. Now, supposing that in a certain country in Europe the surplus value rate is 100% and the worker works half a day for himself and half a day for his employer; while in a certain country in Asia the surplus value rate is 25% and 4/5 of one working day is used for his own work and 1/5 for his employer. In addition, since the composition of national capital in a European country is  $84C+16V$  and in a country in Asia utilizable

32) Kiyoshi Matsui, *The System of the Theory of World Economy*, p. 149.

33) Marx, *Capital*, Moscow Ed., Vol. 3, pp. 150-151.

machines are only a few in number and the quantity of raw materials consumed for production by a given quantity of labour power in a given length of time is relatively small, the organic composition is  $16C + 84V$ . Under the foregoing assumptions we can arrive at the following expressions:—

$$\text{Europe: } 84C + 16V + 16m = 116 \quad \text{Profit rate } 16\%$$

$$\text{Asia : } 16C + 84V + 21m = 121 \quad \text{Profit rate } 21\%$$

In the country in Asia the value of products is 121 and the profit rate 21%. In other words, while the surplus value rate in the country in Asia corresponds to 1/4 of that in Europe, the profit rate of the former is 25% greater than that of the latter.

This is the description given by Marx with respect to the national difference in the profit rate, but he did not touch on international capital movement. Perhaps according to his opinion this phenomenon between countries did not carry so much important meaning that it was really worth taking all the trouble of making it a subject for analytical study. Nevertheless, if the theory of Marx is to be followed, then the international capital movement is to be caused by the international difference in the profit rate.

It was Lenin who took up international capital movement as an important problem. He made the following statement: "Typical of the old capitalism, when free competition held undivided sway, was the export of goods. Typical of the latest stage of capitalism, when monopolies rule, is the export of capital."<sup>34</sup> And as its content his description is concerned with the "excess of capital". Excessive capital is not used under a capitalistic administration to raise the living standard of the mass of people of that country. This is because, if it were, it would mean a decline in the profit rate of capitalists. In such a case such capital is used for export to some other countries, or to some developing countries, so that the profit rate may become greater. Ordinarily the profit rate in these developing countries is high. The reason is because capital is scanty, while the price of land is cheap, wages being low and raw materials being inexpensive. The inevitability of the export of capital is created by the fact that capitalism matures to its full extent in a few countries, and it becomes hard for capital (under the conditions of undeveloped agriculture and poverty of the mass of people) to find any remunerative place to invest it. In this way Lenin explained the inevitability of the exporting capital on the ground of excessive capital. It can be safely said that Marx sought after the possibility of international capital movement from the national difference in the profit rate, and that Lenin

<sup>34</sup>) Lenin, *Imperialism, Collected Works of V. I. Lenin*, Vol. 22, p. 240.



sought after the inevitability of international capital movement from the excess and shortage of capital.

Since no capital exists in a socialist country, there also exists no international capital movement there either. However, credit and loans do exist. But their meanings are substantially different from the movement of capital in capitalist countries. About this point Professor Kohlmei made the following statement: "The Soviet Union has frequently proved that this country is prepared to give international assistance for international solidarity through loans given to the people's democratic countries. The meanings of such credit in the field of a new world market is fundamentally different from the imperialistic export of capital in its foundation, purpose and method."<sup>35)</sup>

(5) Oelssner on the World Market Crisis

Among the great number of books on the subject of crisis that have been published there are many studies about the history of the world crisis, but there are hardly any on its theoretical study. At this point, taking up a book written by Professor Oelssner, which happens to be an extremely rare study, as clue, I would like to say a word or two about how an approach to the world market crisis should be made. His book is entitled "*Economic Crisis*", Vol. 1 of which contains a theory of crisis and Vol. 2 the history of the 19th century<sup>36)</sup>. The Marxian theory of crisis in Vol. 1 is composed of the following chapters:

- Chapter I Failure of bourgeois studies of business cycles
- Chapter II Possibility of crisis
  1. Various contradictions of commodities
  2. Transformation of forms of commodities
  3. Money as means of payment
  4. Separation of the production process from the circulation process
- Chapter III Inevitability of crisis
  1. Major contradictions of the capitalistic method of production
  2. Contradictions between production and market (underconsumption and overproduction)
  3. Contradictions among many independent fields of production (unbalance)
  4. Average profit rate
  5. Law of the decreasing profit rate
  6. Development of inner contradictions of the law

<sup>35)</sup> Kohlmei, *Socialist World Market*, p. 269.

<sup>36)</sup> F. Oelssner, *Die Wirtschaftskrisen*, 1955.

- of decreasing profit rate
- 7. Credit and crisis
- 8. World market and crisis
- 9. Cycle of crisis

#### Chapter IV Social consequence of crisis

As to the world market crisis, after quoting Lenin's words with respect to the "historical inevitability of foreign trade" (it is misunderstood as if there were no logical necessity) which was referred to before, he made the statement that "it becomes necessary to study the effect of foreign trade upon crisis in order to explain the crisis concretely and historically,"<sup>37)</sup> and thus he acknowledged the significance of theoretical study. It is not hard to assume, I think, that the reason why the crisis of the world market is dealt with at the end of Vol. I must have been due to such a way of thinking of his. The framework of Professor Oelssner's view of the world market crisis can be briefly outlined as follows :

##### (1) Universal money

One of the most important functions of world money is its use as a means of payment, and world money can carry out such functions as real money, i. e. only in the form of gold or silver. Under circumstances where commodities are imported into a certain country in excess of its exports in other words the deficit account in the balance of payments of overseas business falls below the marginal level, such a deficit can be ultimately balanced only by gold. Also, in the usual event of a crisis, it comes to be clear that the country in debt has no sufficient gold to pay its liabilities. This gives rise to shortage of exchange. Such a financial state of affairs indicates the necessity of increased exports, but in crisis conditions the export of commodities becomes insuperably difficult.

##### (2) Capitalism and Foreign Trade

Various sorts of entanglement among the many independent capitalist countries in the world market become increasingly accelerated on account of crisis consciousness, and at the same time such a state of crisis in turn becomes aggravated. Such a state of crisis gives rise to all kinds of contradictions between the unlimited expansion of production and the limited expansion of the market. Capital makes every effort to maintain the equilibrium through the further development of foreign trade.

##### (3) Foreign Trade and Crisis in the World Market

Through the development of foreign trade capitalism creates a more and more extensive world market, thus resulting in making the capitalistic means of production the most predominant means of production wherever

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<sup>37)</sup> *Ibid.*, S. 109.

it can penetrate. Putting it in other words it reproduces capitalistic contradictions on a world-wide scale. In this way a local crisis creates a world market crisis.

Professor Oelssner makes the following statement in the Chapter where his view is developed on the subject of the "social results of crisis" as the conclusion of his crisis theory. "The reasoning of financial crisis is led to be linked with the reasoning of revolution. —The assertion that all economic crisis inevitably lead to a certain political revolution may, of course, sound too mechanical and unrealistic, but it can be theoretically proved, and can also be historically corroborated that there does exist a causal relationship between the two. It is economic development that provides the material foundations on which political activity can be carried out, and it would be not in any other days than those days of economic crisis that political activity would be driven into radicalization and led to revolution, should all other preconditions be given<sup>38)</sup>.

### III Two Kinds of World Economy

The maturity of the miscellaneous contradictions inherent in capitalism generates into crisis. As a result, the class struggle and the strife among imperialist countries and conflicts between imperialism and its colonies come to be aggravated. Such an intensification of conflict leads to the breakout of revolution—a transformation from capitalism to socialism, whereby two kinds of world economy come to be established. Needless to say, socialist economy has never come into existence by one effort. A revolution on a national scale broke out in 1917 in Russia, and socialism was then instituted in the form of one country for the first time. It was after those days when the plural number of socialist countries came into existence after World War II, and a new situation gave rise to the international relationships among those countries, that the socialist world economy came to be established. For that reason, it follows that human beings in this world are now living in two different kinds of world economy: one being the capitalist and the other the socialist world economy. Speaking of the problems of the two different kinds of world economy, it was "Stalin's Essay" that took up those problems for the first time, and it was through the book entitled "*Socialist World Economy*" written by Professor Kohlmey that a scholastic systematization of those problems was made. It is very important, as is pointed out by Professor Kohlmey as well, to make a careful consideration of the social and economic contents of production which support the background of

38) *Ibid.*, SS. 193-194.

the market. Professor Kinoshita sometime ago contended that, whatever social and economic contents the productive relations of its background may have, there can not be any difference in that it is a circulation of commodities, and that a market can not be something else but a market, and that the world market is nothing but one existence<sup>39)</sup>. But it must be concluded that such a simple observation of only the superficial features is nonsense, if viewed not only theoretically but also practically for the purpose of solving the problems of the market arising at the stage at which a socialist system and a capitalist system co-exist. The problems of the market at the stage where only the capitalist system used to operate ought to be very different from those at the stage where a capitalist market and a socialist market co-exist. Yet it does not seem to be correct to hold such a view, as Professor Kohlmey changed his way of thinking in his new book<sup>40)</sup>, to think that the market is one and that what must be distinguished is the difference between the capitalist world economic system and the socialist world economic system, each of which supports the background of its respectable market. Because the distinctive character itself of foreign trade and the market have undergone changes owing to the change from the capitalist system to the socialist system, it would become impossible to make a direct approach to the problems of socialist foreign trade and the socialist market from the standpoint of Professor Kohlmey's new view, or Professor Kinoshita's view.

A specific reason why I referred to the theory of socialism, though in brief, after taking up the theory of capitalism as something in opposition to it, when I developed my discussion about the various categories in II, was because I thought that by doing so the theory of capitalism could be understood in a clearer and more accurate manner. It is true that because the socialist economy has not a few birth-marks of the capitalist economy, the formality of these two theories show similarities in many respects. But these two theories, in reality, are substantially of such a nature that they stand in opposition and in contradiction to each other.

Now, what could be done to systematize socialist economics and how? It appears to me, to confess the truth, that such knowhow has not yet been made clear enough. Stalin clarified "the fundamental laws of economics" in his essays. While "the fundamental law of economics of capitalism" is the pursuit of "maximum profit", on the other hand "the fundamental law of economics of socialism" is "the maximum fulfilment

39) Etsuji Kinoshita, "Some Problems with Respect to Two Kinds of Market", *Research & Material*, 4, p.44.

40) Kohlmey, *Entwicklungsproblem des sozialistischen Weltwirtschaftssystem*, 1958.

of the material and cultural desires of mankind". When we take a glance at a historical narration of the transitional period described in the socialist economics that originated from the three volumes of *"Political Economy: Textbook"* of the Academy of Sciences of USSR presumably compiled under the guidance of Stalin at the beginning, it is noted that the fundamental law of socialist economics was taken up at the beginning of the theoretical narration. The point that the start was made from something abstract is understandable, but it is not fully clear what happens to the objective law in that case, because only subjective purposiveness shows itself superficially. Even if it is accepted that "the maximum fulfilment of the material and cultural desires of mankind" may be the subjective purpose of a socialist society, it can not be held that it is also the objective law of a socialist society as it is. Then, what can the objective law operating there be? In socialist economics there remains something similar to the economic law of capitalism at least in the sense of formality. Those categories which are taken up in Marxian economics such as the law of value, fund, land ownership, labour, etc. under the socialist system are also taken up in the *"Political Economy: Textbook"*. The problem is whether these categories are developed in uniformity with the subjective purposiveness in the sense of socialism. From the angle that socialist society is a planned economy, it is natural that subjective purposiveness should show itself on the surface. Nevertheless, what could be the content of economics must by all means be objective laws. When such a time comes, the economics of socialism comes to be substantially distinguished for the first time from that of capitalism.

Next let us see how the latter half of Marx's system of economics has been treated by the economics of socialism. The category of the "state" is succeeded as it used to be. But the nature of the state has been transformed from the state of bourgeois dictatorship under capitalism to the state of proletarian dictatorship. The "national income", "national budget", "credit", etc. which are seen in the *"Political Economy: Textbook"* should be the subject matter of economics which must be included in such a category of the "state". Such categories as "international relationships of production", "international division of labour", "export and import", "foreign exchange rate", "international cooperation", etc., which were taken up immediately after the category of the "state" in the latter half are, needless to say, the subjects which came to be studied as a result of the ever-developing new system of the socialist world economy in the days after World War II. The last chapter of the *"Political Economy: Textbook"* talks about the "economic cooperation of countries in the socialist camp". The studies made by Kohlmey, to which frequent

references were made, and those by V. Černiansky of Czechoslovakia<sup>41)</sup> can be counted among them. All these studies make no direct reference to Marx's system of political economy, with only the one exception of Kohlmei, who referred to it in a separate essay. Let the situation be what it may, the study made by the Academy of Sciences of USSR which has recently been translated into the Japanese language, when it definitely refers to Marx's system of political economy under its title "*The System of the Socialist World Economy*", is attempting to develop the idea of the world economy as the portion of Vol. 1 of this translation, which is composed of four volumes, that has been published, there is no way of making any judgement yet, but it certainly captures no small interest on the part of these of us who are carrying out this study towards the same goal.

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41) V. Černiansky, *Economic Theories of Socialist Foreign Trade*, Tr. by Yukichi Komatsu, Horitsu Bunka Sha, 1968.