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# THE MARXIAN THEORY OF INTERNATIONAL VALUE

*By* Kiyoshi MATSUI*

## I Introduction

I have so far referred to Karl Marx's theory of international value on several occasions and the opinions which might as well be regarded as my conclusions have been summarized in the first Chapter of my "*System of the Theory of the World Economy*" published in 1963[1]. Although it is true that in those days some references to the Marxian theory of international value were found in the literature of Marxian economics in various socialist countries, it can fairly be said that practically none of them was found to treat the subject systematically. On the other hand, in Volume V of "*Probleme der politischen Oekonomie*", 1962 published by the German Academy of Sciences an essay of great importance covering over 100 pages was presented on the subject of the Marxian theory of international value[2]. The reasons for this, I should think, could well be found partly in the theoretical point

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1) Kiyoshi Matsui, *The System of the Theory of the World Economy*, Nippon Hyoron-Sha, 1963.

2) G. Kohlmey, Karl Marx' Theorie von den internationalen Werten mit einigen Schluß folgerungen für die Preisbildung im Aussenhandel zwischen den sozialistischen Staaten, in *Probleme der politischen Oekonomie*, 1962.

that the study of the theory of value was obliged to develop from the domestic aspect to the world market aspect, and partly in the practical cause that a study of the problem of international value had to be made, as a result of the expansion of the socialist world market, to provide standard prices for this socialist world market. In fact the essay by G. Kohlmey was subtitled "Two or Three Conclusions relating to Price Formation in Foreign Trade carried on among Socialist Countries".

In the first part of this essay Kohlmey made the following references, rather with indignation, with respect to the fact that the problem of the Marxian theory of international value had never even been taken up before at all in bourgeois literature; to the effect that the name of Marx was not quoted even once in Haberler's "*Der internationale Handel*", which should be regarded as an authentic book on international trade in the German language, that A. Metzler, the contributor of the essay entitled "International Trade" to the well-known editions of Collected Essays, "*A Survey of Contemporary Economics*", did not even touch on the name of Marx, that the same is the case with B. Ohlin's painstaking work "*Interregional Trade & International Trade*", and that Marx was also completely disregarded in the "*Readings in the Theories of International Trade*", in which most of the outstanding essays relating to the problems of international trade in the post-war era are collected. According to Kohlmey, "these are only a few examples of hundreds of cases where Marx himself and his achievements have been disregarded in the history of the capitalistic theories of the bourgeois."[3]

What is intended by Kohlmey in this connection is the systematization of the theory of international value from the standpoint of Marxian economics in opposition to the tendency of bourgeois economics. "Various views held by Marx with respect to international value, world market price, etc. could be perused here and there in "*Capital*", "*Grundriss*", "*Theories of Surplus Value*" and other painstaking works. As is commonly known, Marx intended to describe a specific capitalistic law relating to foreign trade and the world market while pursuing a general study of the capitalist means of production."[4] Kohlmey's elaborate works, indeed, could well be appreciated as the first systematic study of the Marxian theory of international value which came to be made known in the literature of socialist countries after World War II. On the other hand in this country studies relating to this problem are found to have made steady headway from pre-war or war-time days. Among them can be listed the studies carried on by Professors Toichi Nawa and Puk Ku Che, and the present writer. Why, then, is it that these particular studies of the Marxian theory of international value are found to have made early headway in this country? The first thing to be accounted for is, I should think, that studies on Japanese capitalism had already reached a considerably high level in those days and that further development could only be made in studies on inter-

3) Kohlmey, *a. a. O.*, S. 19.
4) Kohlmey, *a. a. O.*, S. 20.

national relationships, and secondly that the high ratio of dependency of Japanese capitalism upon foreign trade made it essential to study the field of international relationships. In this connection it may be added that the results of studies of this kind in this country are well summarized to the purpose in "*Controversy — The Theory of International Value*" compiled by Professor Etsuji Kinoshita[5].

The aim of this present essay is to examine the studies I have pursued so far, by making references to Kohlmey's latest study. For this reason the present writer owes the readers an apology for some repetitions of what has already been published.

## II Modifications of the Law of Value

A particular term similar to 'international value' was also made use of by Mill, but what was meant by him is found to be different from what was meant by Marx. Now, let us firstly take up the arguments on international value given by Marx himself in his "*Critique on Political Economy*", "*Capital*", "*Theories of Surplus Value*", etc., and secondly proceed to give some considerations from various aspects, such as the assumption of production of a simple commodity, the introduction of money and the theory of production price respectively. Marx made the following statement in the "*Theories of Surplus Value*". "When viewed even in the light of Ricardian theory, three working days in one country can be interchangeable with one working day in another country. The law of value in this case brings about an essential modification. Putting it in other words, labour in different countries is mutually related together, just as in the relationship of what skilled labour or complex labour is to unskilled labour or simple labour in one country. What takes place under these circumstances is the exploitation of a poorer country by a richer country and this fact holds true even when the said poorer country makes some gains as the result of such exchange as stated also by John Stuart Mill in his writings entitled "*Some Unsettled Questions, etc.*"[6] In this connection Marx made the following reference to Ricardian theory. Ricardo originally advanced a theory which was later called the "Theory of Comparative Cost" by his followers, which was succeeded by Mill and others and came to be advocated by Haberler at present. For this reason we shall now take up here the Ricardian theory before further proceeding to Marx. According to Ricardo the problem at issue can be explained by the following demonstrative example:[7]

| Country | Labour Time Required to Produce 1 Unit of Wine | Labour Time Required to Produce 1 Unit of Woolen Cloth |
|---|---|---|
| Portugal | 80 | 90 |
| England | 120 | 100 |

5) Etsuji Kinoshita, *Controversy — The Theory of International Value*, Kobun-Do, 1960.
6) K. Marx, *Theories of Surplus Value*, Vol III (Moscow ed. not yet published).

These figures indicate that Portugal holds an absolute dominance of productive power in each field over England, and that Portugal also holds a relative dominance in the production of wine. Nevertheless, to satisfy such a hypothetical assumption it is necessary that following conditions should be satisfactorily met. That is, while on the one hand there is free movement of capital and labour within one country, so that the conditions of production can be unified, on the other hand there is no free movement of capital and labour internationally, so that unified conditions of production do not exist, thus leading to the absence of difference in productive power, not merely in the absolute sense of the word but also in the relative sense of the word. In this case it is held by Ricardo that a certain commodity is exchanged between two countries, and yet that each country gains something by such foreign trade. Now, it is quite understandable that Portuguese wine which requires 80 hours of labour for its production is exported to England where 120 hours of labour are required, but it apparently seems odd that British woolen cloth which requires 100 hours of labour for its production is exported to Portugal where only 90 hours of labour are required. What is pointed out as the reason for this Ricardo lies not only in the fact that it would be more profitable for Portugal to concentrate all her labour and capital on the production of wine, in which Portugal holds a relative advantage, and to export a portion of it to England and to import British woolen cloth in exchange, but in the fact that it would also be profitable for England to concentrate all her labour and capital on the production of woolen cloth, in which England holds a relative advantage and to export a portion of it to Portugal and to import Portuguese wine in exchange. However, in this case if foreign trade is to be opened between the two countries mentioned, and Portugal is to specialize in the production of wine and England in the production of woolen cloth, then the specific quantity of labour included in the specific hours of labour in Portugal must be internationally evaluated at a higher value (price), and at the same time the quantity of labour included in the same hours of labour in England must be internationally evaluated at a lower value (price). Supposing that the quantity of labour respectively included in the same hours of labour in the two countries has an identical value and that each of them is to be expressed by the same price, it would be inconceivable that a commodity having a value of 100 in one country would be exported to another country where a value of 90 holds. Needless to say, the division of labour in a capitalist society is to be materialized through the instrumentality of commodity prices, and it is impossible to know whether specialization in a specific type of production would be profitable or not unless commodity prices are taken into account. Moreover, the quantity of social labour included in the same hours of labour within one country always has the same value and is expressed by the same price. Yet the same idea is not applicable to the present international problem at issue, i.e. foreign trade. This is the very problem originally designated as a modification of the law of value by

7) D. Ricardo, *Principles of Political Economy and Taxation*, (Gonner's ed.), p. 115.

Marx. Since the law of value is obliged to be modified in the world market in this way, the problem at issue becomes more and more complicated. Ricardo, indeed, made a very close approach to the problem and went through no small pains, but he failed to find the correct solution to the problem, because of his inaccurate concept of the labour value theory. As is generally known, Ricardo only thought about labour in a concrete form, taking it up as problematical because of the lack in the concept of human labour in an abstract form and average labour in a simple form. Ricardo failed to take note of the truth discovered by Marx that labour is homogenized through the exchange of commodities and that human labour thus homogenized should be none other than the very substance of value. For that reason Ricardo gave up the international comparison of value and tried to explain foreign trade from the difference in the exchange ratio in two different countries (comparative cost). By giving up the international comparison of value in this way, he maintained that foreign trade carried on between one country with higher productivity and another country with lower productivity would bring forth relative gains to the respective countries, and in this way the fact of the absolute sweating of exploitation the poorer country by the richer country thus caused was completely ignored.

## III Marxian Theory of International Value

What raises a question relating to the passage from Marx quoted before is concerned with the question why the idea that three working days in one country are interchangeable with one working day in another country should be regarded as a modification of the law of value. If Ricardo's illustration is taken up, what is meant here is the case in which one unit of Portuguese wine (80 hours of labour) is exchanged for one unit of British woolen cloth (100 hours of labour). Marx gave the following statements with regard to the relationships within one country between skilled labour and unskilled labour, and between simple labour and complicated labour: "Skilled labour counts only as simple labour intensified, or rather, as multiplied simple labour, a given quantity of skilled being considered equal to a greater quantity of simple labour. Experience shows that this reduction is constantly being made. A commodity may be the product of the most skilled labour, but its value, by equating it to the product of simple unskilled labour, represents a definite quantity of the latter labour alone. The different proportions in which different sorts of labour are reduced to unskilled labour as their standard, are established by a social process that goes on behind the backs of the producers, and consequently, appear to be fixed by custom."[8] As is evident enough from this quotation, even when three days of simple labour are converted into one day of complex labour, as far as this is done within one country, the very fact of such practice would rather mean the penetration of the law of value and it would by no means imply a modi-

8) Marx, *Capital*, (Moscow ed.), Vol. I, p. 44.

fication of the law of value. So why is it that the same thing between the two countries mentioned should call for modification?

To begin with, the point we must take into special consideration is concerned with the expression "3 days' labour versus 1 day's labour" which was referred to by Marx as an international problem, which was originally concerned not with labour in a concrete or individual form but with labour in a social or average form. As to such social labour, Marx made the following assertion: "Some people might think that if the value of a commodity is determined by the quantity of labour spent on it, the more idle and unskilful the labourer, the more valuable would his commodity be, because more time would to required in its production. The labour, however, that forms the substance of value, is homogeneous human labour, expenditure of one uniform labour-power. The total labour-power of society, which is embodied in the sum total of the values of all commodities produced by that society, counts here as one homogeneous mass of human labour-power, composed though it be of innmerable individual units. Each of these units is the same as any other, so far as it has the character of the average labour-power of society, and takes effect as such: that is, so far as it requires for producing a commodity, no more time than is needed on an average, no more than is socially necessary. The labour time socially necessary is that required to produce an article under normal condition of production, and with the average degree of skill and intensity prevalent at the time."[9] Marx used the term "national average labour" to express social average labour as formed within one country. As discussed before, when the interchangeability of 3 working days in one country with 1 working day in another country was mentioned, it must be considered that Marx intended to mean such national average labour. Then, what can be meant by the expression that national labour in more than two countries was mutually interrelated in a similar manner as in the case of complex labour and simple labour within one country? What is meant by national average labour, in short, is human labour in an abstract form and it seems rather strange to think that human labour, which primarily should be homogeneous in nature, exists in plurality. However, if further consideration is given, the following fact ought to be brought to light. According to Marx's assertion, "Simple average labour, it is true, varies in character in different countries and at different times, but in a particular society it is given"[10]. From this specific reason, it follows that national average labour in one country, which should be homogeneous human labour on equal terms comes to be interrelated with national average labour in an other country in a similar manner as if one of them were complex labour and the other were simple labour within one country. This relationship will gradually keep developing as the international exchange of commodities keeps growing. Then, in this way the type of human labour in an abstract form conceived on a world-wide scale which was expressed by Marx as universal average labour is to be formed.

9) *Ibid.*, p. 39.
10) *Ibid.*, p. 44.

However, contrary to the formation of universal average labour in this manner, the development of exchange of commodities in the world market is not universalized in a similar manner as in the case of the domestic market owing to various reasons. Boundary lines between nations are still in existence as they used to be and for that reason it must be said that the formation of universal labour is still far from being formed. It is primarily because of this that the problem of national average labour as well as that of universal average labour gives rise to a highly complicated discussion. About this point Marx made the following assertion. "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 socially necessary time, and therefore does not reckon as labour of normal quality. Only a degree of intensity above the national average effects, in a given country, the measure of value by the duation of the working time. This is not the case on the universal market, whose integral 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, whose unit of measure 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"[11]. On the assumption that the world market operates as perfectly as if it were a domestic market, when a certain labour intensity of medium degree is firmly established, if the labour intensity to be expended in the production of a commodity is found to be lower than the said standard level, such a commodity is therefore consuming more time than the socially required time and correspondingly it follows that such a type of labour can not be counted as labour of standard quality. Yet it must be admitted that the world maket in reality does not yet operate in such a perfect manner. Although universal average labour has already been formed, national average labour in each country is still in existence and it is found to exist in different forms at various stages. Here lies, indeed, the very ground why the Marxian theories of market value and individual value advanced in Volume III of "*Capital*" should be applied to the world market. What was called the modification of the law of value by Marx, in short, is concerned with the estrangement of the domestic value from the international value caused by unbalanced international productive power, and it can be concluded that it is not until it is examined in the light of this law that the theory of comparative cost advanced by Ricardo can be grasped in a correct manner.

## IV Introduction of Money

As the international exchange of commodities makes gradual increases, one particular commodity=money tends to be excluded from all other kinds of commodities and, taking the form of equivalent value, it turns into money. This is universal

11) *Ibid.*, pp. 559-560.

money. Now, when this is introduced, what will happen to the law of foreign trade we have discussed so far? Let us now see about this problem.

What is applicable to national differences in productive power, needless to say, is also applicable to the production of gold. Supposing that a country with higher productive power needs 1 day labour power to produce a given quantity of gold and another country with lower productive power requires 3 day labour power. In this case, what is meant by 1 day labour power or 3 day labour power is, needless to say, the duration of the time of engagement of social average labour in each country. If this is expressed in other words, it means that a greater amount of gold is produced in the same labour time in the country with higher productive power, and a smaller amount of gold in the country with lower productive power. Now, let us make the following modifications to the demonstrative examples used by Ricardo:

| Country | Kind of Value | Labour Time Required to Produce 1 Unit of Wine | Labour Time Required to Produce 1 Unit of Woolen Cloth | Labour Time Required to Produce 1 Unit of Gold |
|---|---|---|---|---|
| Portugal | Domestic Value | 80 | 90 | 90 |
| | International Value | 88. 8 | 100 | $100\left(90\times\frac{10}{9}\right)$ |
| England | Domestic Value | 120 | 100 | 110 |
| | International Value | 109 | 90. 9 | $100\left(110\times\frac{10}{11}\right)$ |

Now, as a result of the fact that universal money has come to have the same international value in the two countries mentioned, irrespective of difference in the productive power of wine and woolen cloth, the difference arising in each field of products is to be expressed by the difference in the production of gold. The reason is because the value (price) of each commodity can be expressed in the terms of exchange for gold on an equal footing.

As a result, the international value of Portuguese wine is 88.8 and that of Portuguese woolen cloth 100, while the international value of British wine is 109 and that of British woolen cloth 90.9; which state of affairs indicates the export of wine from Portugal and that of woolen cloth from England.

According to Marx, the transition from domestic value to international value was to be explained as follows: "But 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." "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."[12] In this case Marx explained the international difference in the relative value of money from the difference in the productive power of labour. Needless to say, the process mentioned above comes to be materialized in a roundabout way in a country where no gold is produced. With respect to this point Marx made the following statement: — "So much, however, is clear, that in countries producing gold and silver, certain quantities of labour time are directly embodied in definite quantities of gold and silver, while in countries which does not produce gold and silver the same result is reached in a round-about way, by direct or indirect exchange of the commodities of those countries."[13]

## V Market Value and International Market Value .

According to Marx commodities in each country come to have different international values of their own owing to the difference in the conditions of production. Therefore, when it is held that international value should be made a standard for the world market price, it must by all means be the international market value which should be the average of the different international values. The prescription of market value by Marx runs as follows: — "On the one hand, market value is to be viewed as the average value of commodities produced in a single sphere and, on the other, as the individual value of the commodities produced under average conditions of their respective sphere and forming the bulk of the products of that sphere."[14] So long as a commodity is brought into international business dealings and a world market for that particular commodity comes into existence, it is seen that we have an international market value in the sense that is represents the mean value of all commodities of this particular kind produced by many different countries. However, it is impossible to form a concept of international market value in the sense of the individual value of such commodities which are produced under average conditions to present a greater part of all products in that particular field of industry, because no free movement of capital and labour is possible in the world market. There is no doubt about the point that the progress of capitalism tends to expedite gradual movement of capital and labour but at the same time there is a strong tendency to check such movements. For that reason, even when the con-

12) *Ibid.*, p. 560.
13) Marx, *Critique of Political Economy*, (ed. by V. I. Stone), p. 77.
14) Marx, *Capital*, (Moscow ed.), Vol III, p. 178.

ditions of production in one country may be found to match the average conditions of production, it might be more adequate to consider that it is a mere coincidence. The conditions of production for each country, taking the form of varied stages, so to speak, are mutually interrelated with each other without being unified. One peculiar feature of international market value is seen in the following fact. While on the one hand there is always an individual value to match the domestic market value, on the contrary, in the case of international market value, the same does not necessarily hold good. The individual value of each country is found to be estranged from the international market value (price).

The mere fact that the individual value is estranged from the market value carries no implication whatsoever of any modification of the law of value, instead it rather gives an assurance of the fulfilment of the law of value by demonstrating that the individual value above or under the market value does exist, and that the total value squares with the total price. Now, why is it that the estrangement of the individual value of each country in the world market from the market value gives rise to the idea of the modification of the law of value? This can be accounted for in the following way. The international market price fluctuates on the basis of international value. Then, once the international price is formed, it concurrently is taken to be domestic market price for each country, too. Since producers in a country with productive power can carry on production at a lower value as a whole than the international market price, a yield of surplus profit is realized. On the other hand, producers in a country with lower productive power can not effectuate the value of a certain portion of the labour in their own country to its fullest extent since production is being carried on at a lower value as a whole than the international price. Under these circumstances it is seen that the total value and the total price are no longer balanced between these two countries. However, in this connection one point which we should make special note of is that even under such circumstances, if viewed from the aspect of the world market as a whole, the total value does fit in well with the total price. Consequently, it will lead to the conclusion that the idea of the modification of the law of value is by no means a denial of the fulfilment of the law of value.

Now, keeping the foregoing discussion in mind, let us proceed to make a comparative study of the theory of international value advanced by Mill. Supposing

| Country | Kind of Value | Wine | Woolen Cloth |
|---|---|---|---|
| Portugal | Domestic Value | 80 | 90 |
| | International Value | 88. 8 | 100 |
| | International Market Value | 95 | 95 |
| England | International Value | 109 | 90. 9 |
| | Domestic Value | 120 | 100 |

that the international value of two commodities came to be fixed owing to competition as follows: wine —— 95 and woolen cloth —— 95, which can be expressed if based on the Ricardian demonstrative examples as shown above:

In this case wine is exported from Portugal and woolen cloth from England. If the way of expression used by Mill is to be used, the exchange ratio is 1 : 1. As far as international market value is concerned, the demand for the two above commodities in the two above countries is balanced. Now, if it is assumed that demand in England for wine, which is a staple export-product of Portugal, decreases, then international demand also gets out of equilibrium and so Portugal is obliged to decrease the price of wine in order to restore the balance. Supposing that the price is 90 as an example, since the exchange ratio of these two commodities stands at $1 : \frac{90}{95}$, this international market value just formed afresh, relatively speaking, turns out to be favourable for England. Under these specific circumstances wine which is supplied from Portugal and clothing which is supplied from England come to be well balanced with each other in total value. Conversely, in the event of decreased demand in Portugal for clothing, which is a staple export-product of England, the reverse result takes place. Now, it is England that is obliged to decrease the price in order to secure sufficient demand. Supposing that the price is 93 as an example, since the exchange ratio of the two commodities in the new international market stands at $1 : \frac{95}{93}$, this international market value turns out to be favourable for Portugal, relatively speaking. International demand is then in a well balanced state: wine supplied from Portugal and clothing supplied from England are well balanced with each other in total value.

So far as the foregoing discussion is concerned, it appears to me that it does make not much difference whether the view of the Marxian theory of the value of labour or of Mill's interpretation is held. However, upon thinking the matter over, it is found that Mill failed to make due recognition of two important features. That is, firstly, any commodity in international business dealings is to be bought or sold in exchange for money without exception and the act of sale or purchase is separable in the sense of time, place and person, being quite different from what was in the mind of Mill. Consequently, even if international demand is properly balanced all the time by the price movement of commodities, its equilibrium is constantly exposed to continuous fluctuations. The unbalanced development now being made by various countries, caused by the high growth rate of a capitalist economy, is further tending to aggravate such international unbalance in such a worsening tendency that the present situation has been driven into a serious stage where there is no longer any room for the possibility of balancing trade only through the instrumentality of the automatic mechanism that Mill had in his mind.

The second point is concerned with his recognition of the advantage of foreign trade. As pointed out before, Mill thought that foreign trade was a kind of barter. As a natural result of such a concept, he had the idea that profits coming from foreign trade mean increase of social products, which in other words means a rise of the level of substantial income. However, the immediate advantage coming from foreign trade in any capitalist society should in reality be nothing else but the acquisition of profit. Even under circumstances where the level of real income may be raised indirectly by foreign trade, it is only made possible through the direct search for and acquisition of profit. There is no need to say that the aim of any capitalist is to make gains by importing at a lower price and exporting at a higher price. In the meantime, referring to the figures quoted previously again, it is true that on some occasions England may get more gain and on some occasions Portugal may get more returns on account of fluctuations in international prices, but such events are strictly concerned only with the aspect of relative advantage, and if viewed from the absolute aspect, it leads to the conclusion that it is Portugal, having higher productive power, that is acquiring the advantage from foreign trade in either one of the two cases at the sacrifice of England, which has lower productive power. In particular the international market value of wine is 90 or 95, both of which are fixed at a rate above Portuguese domestic value and under British domestic value. The international market value of woolen cloth is 95 or 93, both of which are above Portuguese domestic value and under British domestic value. Moreover, these gains are not advantages for consumers, as Ricardo and Mill thought; they are returns for capitalists in the country with higher productive power gained in the form of surplus profits accruing from foreign trade. It is possible that a portion of such surplus profits may be distributed to the labourers, causing the level of their real income to rise, but this is a matter to be determined by the ratio of distribution between capital and labour. Although a country with lower productive power, relatively speaking, may be getting gains, if viewed absolutely, such a country is always suffering losses, and these losses demand sacrifices on the part of the working class. The fact that only a handful of people are born to become wealthy comprador capitalists on the hand, and that a multitude of people are left to live at starvation level on the other, in a country still in the process of developing nothing but a good expression of these realities. Ricardo and Mill overlooked this important reality by giving up the international comparison of the problem of value and wages.

As to the concept of international market value, there are some scholars who do not accept such a concept. In this country Professor Nawa is one them[15], and a similar view is also found even in a certain socialist country. According to this kind of view the concept of international value is being used in a vague form without making the distinction between international value and international market value. An attempt to seek a basic standard for the world market price in international value is found among scholars of socialist countries, but seeing

15) Toichi Nawa, *Studies on Theory of International Value,* Nippon Hyoron-Sha.

that Marx made a definite use of the term 'unequal international value', it is evident that it can not be made a basic standard of the world market price, if it is meant to be such unequal international value. International value in this case should by all means be the international market price. From this aspect it must be concluded that the view of denying the concept of international market value and of trying to deal with everything else through the mere concept of international value is incorrect, if not wrong.

G. Kohlmey is one of those who accepts the concept of international market value. "In the international market any expenditure of individual national labour in a nation is reduced to international value. Just as individual value is convertible into market value, so national value is convertible into international value. There exist national market value and international market value."[16]

## VI Production Price and World Market Price

International market value constitutes the centre of fluctuation of the international market price. About this no explanation is required. What calls for an explanation is when the problem of the production price is taken up in place of market value. In this connection Marx's own passages are quoted as follows. "What has been said here of market value applies to the price of production as soon as it takes the place of market value. The price of production is regulated in each sphere, and likewise regulated by special circumstances. And this price of production is, in its turn, the centre around which the daily market prices fluctuate and tend to equalise one another within definite periods."[17] However, because our view is maintained for the time being on the assumption of there being no international capital movement in the world market, it must be assumed that the conversion of international market value into production price is impeded. "What competition, first in a single sphere, achieves is a single market value and market price derived from the various individual values of commodities. And it is competition of capitals in different spheres which first brings out the price of production equalising the rates of profits in different spheres. The latter process requires a higher development of capilalist production than previous one."[18]

In the world market no movement of capital is made, but in the domestic market the competition of capital is carried on and market value is converted into production price. What kind of change is to be given to this production price by foreign trade and what effect is enhanced by the profit rate of a nation by this production price? These questions are exactly what we are going to discuss here. So long as the field of production of commodities to be exported operates with a capital of average organic composition in one country, the value is in perfect accord

16) Kohlmey, *a. a. O.*, S. 37.
17) Marx, *Capital*, (Moscow ed.), Vol III, p. 179.
18) *Ibid.*, p. 180.

with the price during the period prior to the opening of foreign trade. However, since the product to be exported from a country with higher productive power can obtain a higher price in the world market owing to the opening of foreign trade, it follows that the profit rate of that particular field is increased by so much. For that reason capital in other fields of production begins to flow to this field to produce such export-products, thus resulting in an increased average profit rate of such a country as a whole. Under these circumstances it is seen that this field of production operating with a capital of average organic composition enjoys a higher production price than the value. This point is, generally speaking, exactly as explained by Marx. What is problematical is concerned with the case of a country with lower productive power. The price of the said commodity in such a country comes to be decreased due to the opening of foreign trade and the production price falls to a lower level than its value even in the field of production operating with a capital of average composition. As a result, the possibility of exporting is furthered in favour of a field of production that has a relative advantage if an example is taken from the demonstrative examples used by Ricardo, it becomes possible for England to export her woolen cloth.

Thus, things caused by the formation of international market value are (1) a rise in the production price in a country with higher productive power, (2) a rise in the average profit rate, (3) a decline in the production price in a country with lower productive power and (4) a decline in the average profit rate, and it is seen that international market value does not cause the formation of a unified production price. The reason is because our argument is based on the assumption that capital makes no international movements. It is impossible to think that the world market price fluctuates above or below the level of the production price as it does in the domestic market. About this point Kohlmey gives an almost similar explanation. "It is true that there is every indication in the capitalistic system of the world economy that the profit rates of various nations are tending to be equilibrated toward the average profit rate of the world economy, but such a tendency is not so influential."[19] "The first ground is self-explanatory from the fact that the capitalist world economy has been broken up into so many minor groups, such as mechanical manufacturing countries of commanding influence, subsidiary countries to them, colonial or agricultural countries, zones of raw materials supply, countries still in process of developing, or unilaterally developed countries."[20] "The second ground is deducible from the fact that the international capital movement is in general barricaded to a greater extent in comparison with its domestic movement."[21]

Again, seen from the angle of the production price, it can also be concluded that a gratuitous transfer of value or exchange of unequal value is practiced through the instrumentality of foreign trade, because a commodity from a country with

19) Kohlmey, *a. a. O.*, S. 56.
20) *a. a. O.*, S. 57.
21) *a. a. O.*, S. 57.

higher productive power is transacted at a higher production price than its original value in the world market, and a commodity from a country with lower productive power is transacted at a lower production price than its original value. About this point Marx made the following statement: — "Capital invested in foreign trade can yield a higher rate of profit, because, in the first place, there is competition with commodities produced in other countries with inferior production facilities, so that the more advanced country sells its goods above their value even though cheaper than the competing countries. In so far as the labour of the more advanced country is here realised as labour of a higher specific weight, the rate of profit rises, because labour which has not been paid as being a higher quality is sold as such. The same may obtain in relation to the country, to which commodities are exported and to that from which commodities are imported; namely the latter may offer more materialised labour in kind than it receives, and yet there by receive commodities cheaper than it could produce them. Just as a manufacturer who employs a new invention before it becomes generally used, undersells his competitors and yet sells his commodity above its individual value, that is, realises the specifically higher productiveness of the labour he employs as surplus labour. He thus secures a surplus profit."[22]

Needless to say, this does not imply a denial of the fact that even a country with lower productive power gets some gains, relatively speaking. Be it a country with higher or lower productive power, some gains are definitely made through foreign trade, as clearly pointed out by the theory of comparative cost. The theory of comparative cost has a grasping of such gains as an increase of social products because of its assumption that foreign trade is a kind of barter. However, so far as foreign trade is an exchange of capitalistic commodities, such gains should be grasped not as an increase of social products but as a rise of profit rates. About this problem Marx wrote the following suggestive passages: — "Since foreign trade partly cheapens the elements of constant capital, and partly the necessities of life for which the variable capital is exchanged, it tends to raise the rate of profit by increasing the rate of surplus value and lowering the value of constant capital. It generally acts in this direction by permitting an expansion of the scale of production. It thereby hastens the process of accumulation, on the one hand, but causes the variable capital to shrink in relation to the constant capital, on the other, and thus hastens a fall in the rate of profit. In the same way, the expansion of foreign trade, although the basis of the capitalist mode of production in its infancy, has become its own product, however, with the further progress of the capitalist mode of production through the innate necessity of this mode of production, its need for an even-expanding market. Here we see once more the dual nature of this effect. (Ricards has entirely overlooked this side of foreign trade)".[23]

Simply because Ricardo thought that foreign trade was a kind of barter and did not think of the act of exchange of commodities, particularly capitalistic com-

22) Marx, *Capital*, (Moscow ed.), Vo. III, p. 238.

modities, he could not make it clear that the increase of social products should result in accumulated capital in capitalist societies. That is why he ˎould not clarify the interacting relationships between accumulation of capital and foreign trade, which should have been seen through the facts that foreign trade enhances the effects such as increase of profit rates, decrease of unemployment, acceleration of accumulation of capital on the one hand, while on the other it becomes a cause of unemployment and bringing about a decline of profit rates to a greater extent primarily owing to the expanded scale of production.

## VII Conclusion

As already mentioned before, I have so far devoted this discussion on many occasions to the subject of the 'Theory of International Value' and I am afraid that it contains some repetitions of many points, but some of the new points advanced in this brief essay may be summarized as follows: —

In the first place, the study of international value is mainly composed of what was pursued in this country, as is self-explanatory from "*Controversy — The Theory of International Value*" written by Prof. Kinoshita, and it is, so to speak, of a "closed-door" nature. Making references to Kohlmey's essay in this essay, I tried to make it clear that this problem is not merely of concern for this country, but is also an international problem. Seeing that views held by a number of scholars in socialist countries are taken up in Kohlmey's essay, I have firm confidence in saying that the theory of international value holds an indisputable position in Marxian economics. Among the economists of our country there are some who venture to deny the importance of this theory, maintaining that such a theory is nothing but one variety of the ordinary theory of value, but their lack of sagacity should by this time call for their grave self-reflection.

In the second place, in preparing this essay I have introduced the instrumentality of money to the theory of comparative cost which was advanced on the assumption of barter. Of course such an attempt at introducing money was tried on many occasions before, but none of them was found to have a clear relationship with the Ricardian theory of comparative cost. The specific feature of this essay is the smooth way the problem of money is introduced by applying the demonstrative examples used by Ricardo as they were. The introduction of money to the theory of comparative cost ought to carry inestimably important significance. The possibility of a crisis of an international money crisis at the present moment can be deduced from it.

In the third place, the importance of the concept of international market value is pointed out through due consideration of international value. Even among scholars in socialist countries, not a few of them are found to refer to international value as a standard for determining international market value, but such a view is

23) *Ibid.*, p. 237.

incorrect, if not wrong. When it is meant to say that international value can be made a standard for the world market price, it should be the market value.

In the fourth place, it is clearly explained that the tendency in the world market to form an international production price is very feeble. The reason is because the movement of capital in the world market is not so active as in the domestic market. Seen from this angle, the standard of the world market price should be sought in the world market value.