Title	WORLD MARKET AND CAPITAL EXPORT
Author(s)	SASAKI, TAKAO
Citation	HOKUDAI ECONOMIC PAPERS, 12, 37-45
Issue Date	1982
Doc URL	http://hdl.handle.net/2115/30701
Type	bulletin (article)
File Information	12_P37-45.pdf

WORLD MARKET AND CAPITAL EXPORT

TAKAO SASAKI
Associate Professor
Faculty of Economics and Business Administration
Hokkaido University

1.

Commodities are cosmopolitan by nature. According to Marx, "in the trade between the markets of the world, the value of commodities is expressed so as to be universally recognized."(1) Therefore, international trade, circulation of commodities among various peoples, is.

On the one hand, the capitalist mode of production is theoretically and historically based on commodities. On the other hand, as far as the capitalist mode of production expands, commodity production becomes the general form of production. In this sense, the world market is the basis and result of capitalist production. Then international trade is essentially natural to capitalism. In other words, the circular movement of capital, M–C···P···C′–M′, is based on the world market as the universal sphere of circulation apart from particular barriers. So then, how does capital investment relate to the world market? The movement of capital is characterized most abstractly and fundamentally by the acquisition of the surplus value. And surplus value, or profit as the phenomenal form of surplus value, is nothing but the quantity of the value beyond the national, the religious, the cultural, and any other kinds of the barriers. Thus international movement of capital, capital export and import, is essentially natural to capital, too. Namely, capital is invested not only to various domestic fields but also— to various countries, according to the degree of profit.

Do we deny the immobility of international capital transfer which was described by Ricardo? His principle was as follows;

> "Experience, however, shews, that the fancied or real insecurity of capital, when not under the immediate control of its owner, together with the natural disinclination which every man has to quit the country of his birth and connexions, and intrust himself with all his habits fixed, to a strange government and new laws, check the emigration of capital."(2)

Reasons for the Ricardo's principle are not inherent in capital; the insecurity and the natural disinclination for foreign investment might disappear gradually in the development of capitalism. Even Ricardo himself understood it well. On December 24, 1819, Ricardo made a following speech in the House of Commons.

> "If the profits on capital were higher, and lower more productive in other countries, it could not be doubted that capital would be transferred to those countries : no proposition in Euclid was clear than this."(2)

Marx admits this principle, too. He said in the manuscript, "Resultate des unmittelbaren Produktionsprozesses."

> "If a capitalist sends money to a foreign country and gains 10% of interest (higher than domestic — Sasaki), instead of employing a mass of surplus-people in his country, he would gain a bourgeois crown from a capitalistic standpoint. Because this virtuous bourgeois executes the rule that distributes capital in the world market, as well as inside a society, according to rates of profit which various spheres of productions supply, and makes the rate of profit even and proportions the production."(4)

Thus the reason or cause of capital export is as clear as propositions in Euclid. The principle in Ricardo as to immobility of international capital transfer can be contradicted. But there is one problem. As well known, equalization of the rate of profit is not generally applied to the world market ; the general rate of profit or the average rate of profit becomes real not in the world market, but in a country. Economists take a national rates of profit for granted, and explain it as a result of the mobility of capital and labour.

It would be self-evident that the sphere of labour transfer is limited to a nation and therefore the average rate of profit is national. Labour-power as a commodity can not be transformed into a world-market commodity, and plays free competition in a country except for immigrants controlled by the law and policies. In this way, in each country, the value of labour-power and average intensity of labour is determined, and with reference to them, the productiveness of labour which is determined by the degree of skill, the state of science, the degree of its practical application, the social organization of production and so on, is different from others for some extent. Then, the rate of surplus value, which determines the rate of profit fundamentally, can be equalized only in the sphere of a country ; each national rate of profit is determined by each national rate of surplus value.

On the assumption of the national rate of surplus value, the national rate of profit should be determined by distribution of capital, which is accomplished by the free transfer according to rates of profit that are created in various spheres of production. Then, how is international capital transfer distinguished from domestic capital transfer? We should investigate the distribution process into the world market through capital export.

2.

In principle, capital export is prescribed by the difference between a rate of profit which would be gained in homeland and a rate of profit which would be gained in a foreign country. This is the cause of capital export. Then we will analyze how the causation arises in the system of capitalist production. This analysis deals with export of industrial capital,(5) and, for the present, is made under the condition that all industrial capital produces world-market commodities, and that there is no cost of transportation, no national barrier to the transfer of capital and commodities, and no political risk of foreign investment. The further problem will be easily investigated after the fundamental analysis.

Well, prior to the analysis of capital export, it should be noticed that there are two conditions as to capital export. These are essential moments as well as the difference between rates of profit. Firstly, to get a higher rate of profit from the foreign investment than the domestic investment, exported capital should never lose in the competition with other capital in the foreign country. Otherwise, exported capital would bring about lower rate of profit in the foreign country rather than in homeland, or would be depreciated. Then, capital would never be exported without gaining an advantage over other capital in the foreign country. Generally speaking, since the price competition is the fundamental factor of the competition among capitalists, exported capital must have a higher productivity than other capital in the foreign country — in the following analysis, we will disregard natural or physical conditions by which the productiveness is determined, and take the average amount of skill of the worker, the state of science and the degree of its application, the social organization of production, and the extent and capabilities of the means of production as factors by which the productiveness is determined.

From the above condition, we can deduce the followings; because of the high productivity and the advancement of exportable capital, the degree of capitalist development of the capital exporting country is advanced to the capital importing country. Then, hereafter we can suppose that the capital exporting country is advanced more than the capital importing country. Of course, as to the case the capital exporting country is not so advanced as the capital importing country, we can easily analyze as a special case in addition to a general conclusion.

Secondly, on the assumption of the first condition, it is necessary to the capital importing country that a certain level of capitalist development is there. In the capital exporting country, the normal quality of labour is higher than the capital importing country, and the state of technology, the social organization of production and the capabilities of the means of production are more highly developed than the capital importing country. Then, exportable capital has come to acquire the higher productivity than capital in the capital importing country. If so, at the advance of such capital in a foreign country, not at the same level as of the homeland, but a certain standard of labour quality and environment for industry including the social organization of production should be there.[(6)]

These are conditions of capital export, but not the cause. Without the confusion of them, but with enough consideration of these conditions, let analyze how the causation arises.

3.

Capital export, as mentioned before, is directly caused by the difference between rates of profit. What circumstances prescribe the difference between rates of profits, or how does the causation arise? First of all, it should be noticed that circumstances which prescribe such a difference between rates of profit are distinguished from circumstances which prescribe the difference of rates of profit between various spheres of production in the same country. Domestic capital transfer is, as well known, caused by the difference between rates of profit, too, and such difference is prescribed mainly by the different organic composition and the different rate of turnover between various spheres of production. But capital export is, distinguished from domestic capital transfer, nothing but capital transfer within the same sphere of production between various countries. If so, even though the degree of organic composition and the rate of turnover in a country differ from those in another country, capital export does not arise simply. First, as to the degree of organic composition. Generally speaking, the degree of organic composition of capital in the advanced country is higher than that in the less-developed country, and then the rate of profit is lower as a result. Capital of the advanced country, however, would not be invested in the less-developed country, because such capital must lower its organic composition for heightening the rate of profit in the less-developed country, and it makes such capital lower the degree of technological composition of itself. If so, exportable capital could not compete with other capital in the less-developed country; it is contrary to the first condition of capital export.

Secondly, the rate of turnover is generally shortened in the advanced country, which works more effectively to the rate of profit of the advanced country than to that of the less-developed country. As a result, the causation of capital export is not prescribed from these circumstances.

It is needless to say that the national rate of surplus value is one of the circumstances that bring about different rate of profit. But, in the advanced country, the national rate of surplus value is generally high and works advantageously to the rate of profit. As well as the rate of turnover, this circumstance does not prescribe the difference between rates of profit which causes capital export.

Then, by what circumstances is the difference between rates of profit causing capital export prescribed? On the assumption of the above mentioned, the causation of capital export is not prescribed by any circumstances, except lowering cost-price and instead an increase of the rate of profit. When the price of no-world-market commodities but various commodities exclusively circulating within a country is lower than that of homeland, capital will send to that country appropriate such commodities at the production and create the higher rate of profit than that of homeland.(7) As well known, these commodities are represented by labour and land, whose cost is, generally speaking, high in the advanced country but low in the less-developed country.

Let us assume that technological composition of exported capital is as constant as that of capital in the same sphere of production in homeland. Ignoring the national rate of surplus value and the rate of turnover in capital importing country, it is self-evident that the rate of profit of exported capital increases at the appropriation of low wages and cheap land. For, to exported capital, these mean possibility of the extra surplus-value and the economy of constant capital. Of course, we can find out any other elements to lower cost price at exporting industrial capital. Removing an assumption of one price for each commodity in the world-market, no doubt the appropriation of raw material at lower price in any country would lead exported capital to lowering cost price and increasing the rate of profit. In any case, as a conclusion, we can say the difference between rates of profit as the cause of capital export is prescribed by the appropriation of commodities which are excluded from world-market commodities or influenced the national restriction for the circulation of commodities.

4.

The logic of lowering the cost price and of increasing the rate of profit at the capital investment into the less-developed country will be applied to all capital of the developed or advanced country. Nevertheless, it is premature to say that at capital export in every sphere of production of capital exporting country. It occurs in particular spheres of production. Let refer to the problem of capital distribution as a result of capital export.

In the advanced country, comparing with the less-developed country, we can assume that the national rate of surplus value, the rate of turnover, the normal quality of labor and the quality of the social conditions of production are high. Furthermore, generally speaking, we can assume, because of the degree of capitalist development, that the quantity of capital accumulated and of labor employed in the advanced country are larger than those in the less-developed country. If so, it is possible that, in spite of a lower rate of profit, domestic investment may bring a more amount of profit into the advanced country than foreign investment for lack of spheres for the application of large capital and a large quantity of labor in the less-developed country. Then, exportable capital is those which can increase profit by lowering the cost price in the capital importing country, even if those abandon the above circumstances giving advantage to capital in homeland.

The types of combination of production factors in various spheres of production are as many as their products. Therefore, between spheres of production, the effect of non-world-market commodities on the cost price and of circumstances giving advantage to capital in homeland on profit is different from each other. As a matter of course, spheres of production have to be distinguished in two; spheres in which the rate of profit can be increased by capital export, and other spheres in which cannot be increased or may be decreased.

Well, in what sphere of production does the opportunity of capital export occur? Assuming that all industrial capital produces only the world-market commodities, various spheres of production of all the countries have to be naturally considered to be in the world-market competition. Then, in the advanced country which can export capital, some of spheres of production being superior in the world-market competiton are distinguished from some being inferior to those. It is just indicated the rule of the international value. In the superior spheres of production, on the one hand, the extra-profit can be gained through domestic production and exporting their products, and can make good use of the circumstances advantageous to profit in homeland as compared with other countries. In such spheres capital never be exported. On the other hand, in the inferior spheres, capitalists cannot gain the extra-profit through the export of domestic products, or rather would be unable to gain the average rate of profit, and naturally cannot make use of the advantageous circumstances. If those spheres of production in a foreign country are superior in the world-market competition, and conditions of capital export and the possibility of lowering the cost price are ready in such a country, capital in those spheres of production can be sent to invest to the same spheres of production in such a foreign country.(8) Capital distribution as a result of capital export is executed in the course of above-mentioned logic.

Of course, in addition to the above, another specific example must be given. So far we have disregarded natural or physical conditions by which the productiveness is determined, but when the degree of productivity of natural or physical conditions is exclusively high in a less-developed country and then a particular sphere of production in which these conditions play an important role is superior sphere in this country, capital of such a sphere in the advanced country is invested over the border, because of which the causation of capital export can be prescribed by natural or physical conditions as well as land and labor. Capital export in the mining and the plantation can be led by thus logic as a matter of course.

Moreover, it is needless to say that the prescriptive circumstances of the causation of capital export are found as to the case except for the first premise of this consideration; 1) when products of industrial capital are non-world-market commodities, 2) when costs of transportation is included into the cost price, 3) when national barriers to the transfer of commodities, such as tariff, influence on the price. When products are non-world-market commodities, as to services, the amount of capital investment in the concerned sphere of production of a country is given by the impossibility of exporting their products. Then, if other circumstances permit, capital of such spheres will be expanded over the border. As to the case of costs of transportation and tariff, the same logic as the case of labor and land prices is found. The difference between rates of profit on which costs of transportation and tariff influence is included in the causation of capital export.

Since the causation of capital export and the course of capital distribution as a result of capital export are prescribed, it is proved that capital distribution brought by capital export has a tendency to equalize the rate of profit in the world-market, but on the contrary cannot formulate the average rate of profit over the world-market. It is also true that the difference of national rate of profit does not bring about capital export. Capital export even contributes to the formation of the national rate of profit because of the promoting capital distribution into superior spheres of production in each country, and will not dissolve the difference among national rates of profit.

5.

At the end of this investigation, let refer to the problem of the application of the general theorem to the foreign direct investment in the monopolistic capitalism, especially in the postwar period.

The inherent laws, along with the control of free competition, actually comes to affect and at the same time, capitalism shows its fundamental figure in the history. In such a sense, capitalism in the mid-19 th century just materialized its inherency. Capitalism in the 20th century, however, is the monopolistic capitalism, and then the inherent laws are executed as the trend or tendency. Therefore, in the approach to the problem, we should pay attention to the following; we should grasp the general theorem of capital export again in the relation of the changing of the laws by the monopoly. In other words, the general theorem is investigated as the problem of capital movement to equalize the rate of profit, but under the control of monopoly, competition becomes imperfect, and therefore, at the application of the general theorem to capital export in the monopolistic capitalism theory must be revised.

In order to answer the abovementioned problem, detail investigations may be called for. Then, in this paper suffice it to say an outline as follows.

First, the condition for capital export to defeat various capital in the capital importing country is forced to be changed in its content obviously. Namely, in the previous condition, not only the advantageous productivity but also various kinds of monopolistic advantage in the monopolistic competition have to be included. This may be the reason Kindleberger, C. P. regards various "monopolistic advantages" as an factor of foreign direct investment.[9]

Secondly, as to the cause of capital export, under the conditions of monopolistic competition not only the difference of rates of profit but also various forms of interests as an concession have to be considered.

As a matter of course, thirdly, it can be said that the content different from those under the free competition is given to the circumstances which prescribe the causation of capital export. Not only the lowering of the cost price but also various circumstances prescribe the possibility of the monopolistic interests. And moreover, the logic of the lowering of the cost price itself is prescribed by the monopolistic capitalism. For example, tariff and non-tariff barriers policies in the 20th century, the pressure of the monopoly on raw stuffs, and so on.

Fourthly, under the control of the monopoly, various types of capital may be entangled. The typical examples are the establishment of the foreign sale subsidiary company and the takeover of the mining company by the monopolistic industrial capital.

These points are only introduction of the investigation should be reserved for another occasion. But it indicates the explanations in the past are not so satisfactory.

Notes

1) Marx, K., Das Kapital. Marx-Engels Werke, Diez Verlag, Berlin, Band 23, S. 156.
2) Ricardo, D., The Principles of Political Economy and Taxation, The Works and Correspondence of David Ricardo, Cambridge University Press, Vol. I, p. 136.
3) Ricardo, D., The Works and Correspondence of David Ricardo, Vol. V, 1952, p. 38.
4) Marx, K., Resultate des Unmittelbaren Produktionsprozesses, Архив Маркса и Энгельса II. (VII), Москва, 1933, S. 76.
5) As a matter of course, it is assumed that industrial capital would be sent to the same sphere of production of a foreign country as of homeland.
6) This condition was described as "die Mögleichkeit der Kapitalausfuhr" by Lenin. (See, "Der Imperialismus als höchstes Stadium des Kapitalismus," W. I. Lenin Werke, Dietz Verlag, Berlin, Band 22, S. 245).
7) See Lenin, a. a. O., S. 245. He said, "In diesen rückständigen Ländern ist der Profit gewöhnlich hoch, denn es gibt dort wenig Kapital, die Bodenpreise sind verhältnismäßzig nicht hoch, die Löhne niedrig und die Rohstoffe billig."
8) See Muraoka, S. Marxian Economics on World Market, 1976, Sinhyoron (published in Japanese), p. 55. I learned this point from this study.
9) See Kindleberger, C. P. American Business Abroad, 1969, Yale University, pp. 11–14. But it is clear that Kindleberger takes the cause of capital export for the first condition of capital export.