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EMMANUEL'S THEORY OF UNEQUAL EXCHANGE

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Neo-Marxists (Sweezy, Frank, Amin) explain "uneven development" primarily through the "surplus drain" hypothesis. The leakage of surplus from a periphery economy restrains its rate of capital accumulation. As Sweezy (1969, p.196-97) argued: "The first and most important obstacle to the economic development of the underdeveloped countries is their relationship to the advanced capitalist countries which dominate and exploit them. No underdeveloped country can hope to initiate a genuine programme of development as long as it remains enmeshed in the trade patterns dictated and controlled by the imperialist countries, and allows a large part of its economic surplus to be sucked out by foreign capital."

According to Emmanuel (1972), "surplus transfer" is related to the transformation of labor values into production prices. His theory basically compares labor-values with "q-prices", which are first approximations to production prices (see Okishio, 1963, p.296-98).

Labor values are the sum of constant capital (c), variable capital (v), and surplus-value (s):

\[ t_i = c_i + v_i + s_i, \quad (i = A, B) \]

where: A = center economy
\[ B = \text{periphery economy} \]

The system of "q-prices is defined as follows:

\[ q_i = (1 + r) (c_i + v_i), \]

where r is the uniform profit rate.

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We now define "value transfer" between countries A and B, center and periphery:

\[ g_i = q_i - t_i, \quad (3) \]

where a positive \( g \) value denotes a "surplus gain", while a negative \( g \) value denotes a "surplus drain".

After subtracting Eq. (1) from (2), we obtain:

\[ g_i = r(c_i + v_i) - s_i, \quad (4) \]

We now make use of the definitions of the "rate of surplus value", the profit rate, and "value composition of capital", in order to arrive at Emmanuel's basic unequal exchange equation:

\[ g_i = v_i \left( e \frac{k_i + 1}{k + 1} e_i \right), \quad (5) \]

where:
- \( e \) = world average rate of surplus value
- \( k \) = world average value composition of capital

Equivalent commodity exchange \((q_i = t_i)\) will be satisfied if two conditions hold simultaneously:

(a) \( e_i = e \) and (b) \( k_i = k \)

Broad and Strict Definitions of Unequal Exchange

Let us assume that condition (a) holds and so the rates of surplus value in the center and periphery are identical.

Then Eq. (5) reduces to:

\[ g_i = v_i e \left( \frac{1 + k_i}{1 + k} - 1 \right) \quad (5') \]

Hence, \( q_i \) will be greater than, equal to, or less than \( t_i \) if \( k_i \) is greater than, equal to, or less than \( k \). Emmanuel calls this case of value transfer, as a result of differences in the value composition of capital, unequal exchange in the "broad sense". The reason is that this kind of value composition of capital differs among sectors.
Let us now assume that condition (b) holds and so the value composition of capital is identical for both center and periphery economies. Then Eq. (5) reduces to:

\[(5'') \quad g_i = v_i \left( e - e_i \right) \]

Hence, \( q \) will be greater than, equal to, or less than \( t_i \) if \( e_i \) is less than, equal to, or greater than \( e \). Emmanuel calls this case of value transfer, as a result of differences in the rates of surplus value, unequal exchange in the "strict sense".

According to Emmanuel, differences in the rates of surplus value exist because laborers are immobile across countries.

**APPENDIX I**

To derive Emmanuel's "basic unequal exchange equation" (5) in detail, we first substitute the definition of the rate of surplus value \( e = s/v \) into Eq. (4):

\[ (4') \quad g_i = r \left( c_i + v_i \right) - e_i v_i, \]

since we know that \( s_i = e_i v_i \).

Now substitute for the uniform profit rate \( r \) and obtain the following expression:

\[ (4''') \quad g_i = \frac{e}{1 + k} \left( c_i + v_i \right) - e_i v_i \]

Finally, we substitute the value composition of capital for \( c_i = k_i v_i \) in order to get the expression:

\[ (4'''') \quad g_i = \frac{e}{1 + k} \left( k_i v_i + v_i \right) - e_i v_i \]

As a last operation we factor out \( v_i \) and get Eq. (5), which is Emmanuel's "basic unequal exchange equation".
APPENDIX II

From Marx, it is known that rate of surplus is determined by the value of labor-power, assuming a fixed working day; that is, 
\[ e = \frac{(1 - w)}{w} \]
where \( w \) is the value of labor-power. Therefore, following Emmanuel's assumptions, unequal exchange is based on the inequality of the value of labor-power across economic regions or countries. As Emmanuel (1972, p.61; emphases added) states: "Each of the products embodying 170 hours of labor is exchanged at the rate of \( 210B = 130A \) (or \( 210q_B = 130q_A \)), implying that the terms of trade \( q_B/q_A = 130/210 = 0.619 \) between the periphery B and center A economies are less than parity — though nothing is different in the two producing countries (i.e. A and B have the same \( r \) and \( k \) — except wages. It thus becomes clear that the inequality of wages as such, all other things being equal, is alone the cause of the inequality of exchange.

As a corollary, Emmanuel (1972, p.131) argues that "by transferring, through non-equivalent (exchange), a large part of its surplus to the rich countries, (the periphery) deprives itself of the means of accumulation and growth." Hence, unequal exchange explains the deterioration of the terms of trade between the center and periphery economies as well as the depressing impact of such exchange on the rate capital accumulation of the periphery.
REFERENCES


