COMMON INTERNATIONAL WAGES CANNOT BE DETERMINED BY REGIONALISING THE VALUE OF LABOUR POWER.

In the previous post, the key question was raised: should the value of labour power bet set locally or internationally? Or in parallel, if market value is set internationally then why not the value of labour power? That question on reflection raised a number of additional points addressed here. Finally, this is no academic exercise, the answer is vital to building international solidarity.

Before proceeding a word on terminology. Market value is the most concrete form of value. Marx uses it interchangeably with social value but never with abstract value (Chapter 10 Volume 3). The reason is that market value represents the weighted average labour time needed to produce a commodity and not the simple average which is quite different. I use the market value of commodities as Marx did, as being the highest expression of value, and it is market value not individual value that is transformed into prices of production.

We follow Marx in recognising that market price is set by market value only when commodities circulate as products of labour, that is at an earlier stage in the development of capitalism. In its more developed and later stage, commodities circulate as products of capital, and now market prices are set by prices of production.

Thus in the earlier stage, and here we refer specifically to industry wide capital and not individual capitals within that industry, the aggregate exchange is considered equal. The aggregate money equivalent received approximates the value of the commodities given up in exchange for it by that industry. Thus market value sets market price. This condition no longer holds at the higher stage. Now it is the case that aggregate exchange is unequal. Were it equal, then the rate of profit would differ between industries because they differ in terms of their composition of capital. Thus, via the pricing mechanism, surplus value is redistributed between industries so that profits are earned in proportion to the capital invested.

Does that mean the demise of market value? Clearly not. At a global level and over the course of the business cycle, total prices of production equal total market value. Market value, the total average weighted labour times, remains the bedrock on which production is based, and it also the final arbiter of demand and supply. Marx was adamant on this question. Market value is the sun around which market prices of production revolve in ellipses of various degrees.

The reality is this. The redistribution of capital and surplus value between industry's does not alter the market value within them unless and only if it alters the conditions of production within any industry. That can happen in two ways. Firstly, if it is associated with the introduction of new techniques of production. Secondly, if it expands the weight of production of the more efficient firms in that industry. Or on the other hand, when flowing from a less profitable industry, it reduces the weight of the less efficient firms in that industry.

What the flow of surplus value cannot do is alter the fundamental and technical cost structure of any industry. Bread making will always be cheaper than car making, because the labour time necessary to bake a loaf will always be less than assembling a car. To use the analogy of a cake. The bulk of the cake and the icing (surplus value) represents market value. What differs is the icing. It ends up being spread thicker on some cakes and thinner on the others in order to equalise the rate of profit. But baking a wedding cake will always take longer than baking a simple sponge cake, no matter how much icing is involved. It will always be more expensive.

Thus when we look at the cost structure of an industry it depends on its underlying market value as modified by the prior movement of capital. These modifications are uneven. They are at their highest in those industries whose composition rise furthest above the average composition of capital or fall furthest below it. They are non-existent in those industries considered average where market value coincides with prices of production and which are considered the representative industries for the economy (Marx). These average industries form the centre of gravity in the global economy reducing extreme movements of surplus value at either end.

Prices of production inform cost prices. In the more ("capital intensive") industries the share of wages or variable capital in the mix of cost price is reduced by the volume of material inputs (raw materials, components, power etc), and on the other side it is diluted by the sheer volume of output. The opposite takes place in so called "labour intensive" industries where the share of wages is higher, the volume of inputs is lower as well as the volume of output.

Thus through the lens of competition it appears that prices of production are detached from market values. The reality is they maintain an elastic but never broken relationship as I have shown previously. It is possible to derive prices of production from market value and to reverse this procedure in order to derive market values from prices of production. Please follow this link to find the methodology on how this can be done. https://theplanningmotivedotcom.files.wordpress.com/2018/01/reversing-the-transformation-problem-corrected-pdf.pdf The article also lists further links to additional articles.

We are thus discussing price forms originally derived from and always influenced by market values. Capitalism does not abolish market value. All that has occurred is that its pricing forms are disloyal to actual costs of production, the cost of labour, because they are loyal to the cost of capital. That is as it should be until we abolish capital and introduce prices which are now directly attached to the actual cost of production, weighted average labour time.

Finally, the movement of value is limited to the movement of surplus value. Should the movement exceed that of surplus value, and eat into necessary value, then selling prices would fall below cost prices in those industries from which capital is flowing. A fall in selling prices below cost prices means an industry losing money rather than making money. Such an industry faces immediate bankruptcy regardless of the law of supply and demand. Thus market value in the final analysis sets the limits to the flow of value under the whip of capital. This is why I added the following rider in the previous post: "*Here market value applies which sets the floor for the cost price of cars,….*".

Market value is set internationally and so should the value of labour power.

There is a question which applies equally to both prices of production and market value, and it is this: does the labour expended in the exploited world become part of the global expenditure of labour. If the answer is yes, which it is, then the total global market value of all the commodities produced for the world market, regardless of origin, must be equal over time to the total prices of production. Thus the same labour that goes into Roberts and Carchedi's equalisation process is the same labour that enters into the determination of the market value found in all the global industries and connected industries.

If this was not the case then the redistribution of value on a global scale would be impossible, simply because part of the surplus value being redistributed would be missing, in other words it would not have been valorised.

The only time Marx deals with this issue is in the section in Chapter 14 of Volume 3, titled "Counter-acting Factors", Part 5 under the heading "Foreign Trade". In the first instance he says extra profits arise on the cost price side, because of lower wages in the colonies, and or, cheaper inputs imported into the exploiting country from the exploited country. And in the second instance, its effect on selling price. Cheaper imports allows the merchant to sell goods at a price above there individual values, but below the market values at the time, thereby earning an extra profit.

I find it revealing that Marx chooses the heading; Foreign Trade and not Foreign Production. There is a good reason for this. Only those commodities that enter the global market competing with products already found in that market can enter into the equalisation of the rate of profit. Those petty commodities produced and sold locally against the local currency, may not qualify. Thus Marx assumes a degree of integration, that these goods are sold on the domestic British, European or American market. And he made this far reaching observation before he lived to see the emergence of the first period of globalisation prior to World War 1.

Therefore, the production in the colonial world, for the purposes of exporting to world markets must enter into the determination of market value. To say that this cheaper labour must devalue market value is to miss the point. Yes wages in the colonies are lower, but this is not because the value produced is necessarily of lower value. It is because as Marx says in this section: "*the privileged country receives more labour in exchange for less, even though this difference, the excess, is pocketed by a particular class*", which we may add is obviously the capitalist class.

What will determine the contribution made by the workers in the colonial world, to the market value of the industry which spans both the imperialist and colonial world is not the wages of the colonial worker but their productivity. If very low wages restrains the need to invest in more advanced techniques of production thus holding back productivity, so that more living labour is thrown into production, it means that the market value for that industry or commodity must rise. And if this market value informs market prices through the movement of capital, that rise must generate a greater mass of profits, should wages remain unchanged.

Further, if the productivity of labour is so low in the colonies, that despite the cheapness of wages, it is loss making from the outset, then clearly it cannot end up helping determine market value as that production would be only momentary. It is also important to repeat what Marx pointed out, where productivity is sufficiently high and wages sufficiently low, it is the capitalist that pockets the surplus and it is not shared with workers in the exploiting countries (the so called labour aristocracy).

If it is the case, and we have answered it is, that the labour of the workers in the exploited countries enters into the determination of market value and through it in is modified form, selling prices, then why not their labour power. It is true that Marx implies in many sections of Volume 3 that the value of labour power is set locally and subject to local conditions. But after 150 years of capitalist development and global integration, we need to ask whether this is still applicable?

I would argue it is not. That if we were to accept this proposition, then we would end up accepting that wages of Chinese auto workers at about 40% of the global average (in terms of purchasing parity) is in accord with the locally prepared value of labour power. In other words that the higher rate of exploitation suffered by Chinese workers can be justified by reference to the lower value of labour power prevailing in China. This has to be seen as divisive.

And I would argue further that for Marx, the value of labour power was set by convention, itself a product of the balance of class forces, not solely by biology,. In this case substitute the international balance of class forces. Our aim must be to unite auto workers internationally and this cannot be done by accepting nationally determined wage rates when selling prices with minor variations due to tax, are international. The quote below shows just how big the auto industry is. "*The industry currently* *employs around 15 million highly skilled workers, from Electronic Design Engineers to Engine Assembly & Test Managers, the need for more highly skilled workers only increases as the industry expands into new technologies. The global automotive employment figure stands at a staggering 8,397,451 with China leading the way employing 1,605,000 individuals and U.S.A employing 954,210."* https://www.fircroft.com/blogs/the-automotive-industry-employs-more-people-than-you-think-71462610395 Anything less would be a betrayal of the 1.6 million Chinese auto workers.

Does this affect the redistribution of surplus value via the equalisation process between countries highlighted by Roberts and Carchedi? Clearly not. They are complimentary. The one refers to within an industry the other to between industries. All that would happen if wages were equalised, would be a fall in the general rate of profit for the industry as the average rate of exploitation would be reduced. And the same would apply to all the global industries. The net result is that while redistribution of surplus value would still continue between industries of differing composition, the pool from which this distribution is drawn, would be smaller. And most importantly the flows between the exploited and exploiting countries would also be diminished. There would be more wages in the exploited countries and less profits in the exploiting countries.

Conclusion.

The purpose of this article was to spark a discussion on how Marxists around the world determine the value of labour power. Having done so, to show that when it is set internationally, as it should be, it underpins the call for common industry wage rates adjusted for purchasing parity. Thus it results in a unifying and rallying cry around which the workers of the world can unite. And equally important, it is transitional, because it propels the working class towards a society where workers will receive in proportion to their contribution, where that contribution will be measured internationally not locally.

Michael Robert's has said he will comment on this debate whose ramifications are so far reaching. Such comments can only add to this necessary discussion.

Brian Green, 22 November 2019.