Marx's Fundamental Theorem and International Trade

Taiji Hagiwara

Okayama Shoka University

Abstract

We analyzed Marx's Fundamental Theorem (MFT, hereafter) in international input-output framework in Hagiwara (2017). The conclusion was that the existence condition for profit existence is equivalent to the existence condition of exploitation as a whole, while some high wage countries' laborers may enjoy wage consumption goods embodying more labor than they sold. I could not explain the source of wage differences among countries. Furthermore, I could not explain the relationship between international trade theory and international input-output analysis.

In this paper, I discuss these two problems by graphical explanation. First, I start with the MFT in closed economy. Next, I extend it to the case of multiple technologies. Since we assume production is carried out as far as profit is positive, there is possibility that two technologies coexist. Thirdly, I discuss the case of wage differences. Finally, I incorporate these factors in international trade.

Conclusions are as follows: If country with better technology sets low rate of profit, country with lower technology must endure lower wage. If country with higher technologies enjoys higher profit rate, industry of both countries operates.