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DEPENDENCY AND UNDERDEVELOPMENT: SOME QUESTIONS AND PROBLEMS

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A long outstanding but increasingly pressing problem of social and historical analysis is that of uneven regional development. Over the years, a surprising number of theories have been applied to this problem and have shared the fate of well-deserved disrepute.[1] More recently, however, a more promising line of questioning about this problem has been introduced by an emergent *dependency theory* based on the proposition that development and underdevelopment are reciprocal conditions of one and the same process of capital accumulation.[2] Deriving from a revised Marxist analysis of conditions that apply to countries on the periphery of an international system, and, by extension, to peripheral regions of countries at the centre, this theory boils down to two alternative theses: (1) capitalist development on the periphery is based on a hyper-exploitation of productive labour, and a massive capital drain that distorts the industrial structure of the economy, limits growth of the internal market, and generates misery, chronic unemployment, and marginality;[3] (2) industrial-finance capital on the periphery expands the production of relative surplus value, and, if it generates unemployment in the phase of economic contraction, it absorbs labour-power in the expansive cycles, creating an effect similar to capitalism at the Centre, where unemployment and absorption, wealth and misery, coexist within the same structure.[4]

Development of Underdevelopment or Dependent capitalist development: which thesis can be said to apply in Canada? To raise this question forces us to come to terms with a conceptual ambiguity deeply rooted in *dependency theory*. On the one hand, its ultimate centre of reference is a method of class analysis and a theory of capitalist development outlined by Marx. On the other hand, its conception of the capitalist system in terms of a *centre* (metropole) and a *periphery* (hinterland) has formed the framework of a regional not a class analysis of dependency and as such more often than not has proved to be its Achilles heel. To properly pose the problem of underdevelopment is to connect the class and regional conditions of dependency under capitalism, to show how the exploitative relation of wage-labour is reproduced in the regional structure of production and exchange.

The necessary groundwork for such an analysis is still being laid, and with respect to both Atlantic and Western Canada several points of principle remain unsettled.[5] It is the purpose of this paper to raise if not settle some of these questions of theory and method.

Point of Departure: Production or Exchange?

The major question over which dependency theorists are split can be traced back to the problematic relationship between production and exchange within the capitalist system. The major models of dependency are based on an analysis of exchange relationships, the conditions which are formed by an international market.[6] Departing from capitalism so defined, i.e. with reference to a market, the object in each case is to analyse the workings of this system in terms of a theory of unequal exchange. Because of the way the problem of capitalist development is posed, the resulting theories provide variations on the same theme: underdevelopment on the periphery is a product of development in the centre.[7]

This model has been criticised on the basis of a principle established by Marx, namely that the system of exchange (the structure of distribution) is, "entirely determined by the structure of production".[8] At issue is the point of departure for a dependency analysis. By defining capitalism in terms of a market, and basing their analysis on relations of exchange rather than production, these studies are forced to conclude (they assume) that the world is capitalist through and through; that all forms of productive activity in most regions of the world have been penetrated by capitalism and subjugated to its laws of development by virtue of a link to an international market. Commerce in commodities, and its medium of money, is seen here as the force behind an unbalanced international division of labour, and consequently, its structure of production. As such, capital is attributed with the power to break down, transform, or otherwise subjugate the various *traditional* (pre-capitalist) forms of more community-based productive activity.

Apart from its conceptual ambiguities (market relations are not specific to capitalism) the theoretical — and ultimately political — implications of this position are momentous. For one thing, it implies that a people can free itself from the rule of capital, and thus regain control over their lives, by a mere improvement in the conditions of exchange or terms of trade. To escape the consequences of this position, and to cut through this entire debate, I will argue for a closer reading of Marx's theory of capitalist development.

The Theory of Capitalist Development

The central problem in the analysis of regional underdevelopment under capitalism is to determine how the conditions of its class structure are reproduced in the colonial relationship of a central metropolis to its hinterland. Clearly, this problem can only be posed in terms of the conditions required for the emergence and expanded reproduction of capital. For this reason, analysis necessarily concentrates on the process of capital accumulation formed by these conditions. What is not so clear is how to approach such an analysis which involves both relations of production and relations of exchange built on them. On the one hand, most of the relevant studies focus their attention on relations of exchange, and consequently trace the source of capital accumulation to the monetary wealth accumulated primarily in commodity trade and concentrated in the hands of a merchant class.[9] On the other hand, although monetary welath is clearly a source of capital accumulation, commerce does not necessarily entail nor lead to industrial capitalism. The role of commerce in capitalist development is contingent on certain conditions and relations of production. What these necessary conditions are can be ascertained by reference to the distinction made by Marx between money as a medium of exchange and money as capital:

> It is inherent in the concept of capital . . . that it begins with *money* . . . as the *product* of circulation . . .. What enables money — wealth — to become capital is the encounter, on one side, with free workers; and on the other side, with the necessaries and materials, etc., which previously were in one way or another the property of the masses who have now become objectless and are also *free* and purchasable . . .. The *original formation* of capital does not happen, as is sometimes imagined, with capital *heaping up* necessaries of life and instruments of labour and raw materials . . . [but it is the] exchange [of] money for the *living labour* of the workers who have been set free . . . which enables money to transform itself into capital.[10]

In other words, the existence of *free workers*, an available supply of labourers formed by the expropriation of their means of subsistence and production, is an indispensable condition of capital accumulation, the basis not only of industrial capitalism but of commercial capitalism as well. Under this condition of dependence the capitalist relation of wage-labour is formed whereby surplus-value is extracted from the direct producer. This connection between free labour and the appropriation of surplus-value is based on the conversion of labour-power into a commodity which unlike any other commodity produces value greater than itself. This surplus-value, extracted under conditions formed by the accumulation of free labour and commercial wealth, is the source of profit and thus the basis of capitalist development.[11] However, in order for the capitalist class as a whole to generate an adequate rate of profit, it must realise the surplus-value embodied in the products of labour. The condition of this realization is: the formation of a market in which all commodities including labour-power, are exchanged at value (cost of production).[12]

To conclude, there are three essential (i.e. structural) conditions of capital accumulation: (1) free labour; (2) monetary wealth; and (3) a market. Since each of these conditions can be treated as factors in the emergence and expanded reproduction of industrial capitalism it is necessary to specify the principles that govern their analysis.

First of all, the accumulation of capital under these conditions involve relations of production formed in the extraction of surplus-value and relations of exchange formed in its realisation. With respect to these relations, it is important to distinguish between the conditions under which surplus-value is appropriated (wage-labour) and the mechanisms through which it is transferred (unequal exchange). Strictly speaking Marx's concept of exploitation applies only to the class conditions of wage-labour. However, its extension to the inter-regional relation of unequal exchange is possible under the specified conditions of capital accumulation whereby the law of value, operating through the price mechanism, regulates social production.[13] Under these conditions, the process of capital accumulation is based not only on the exploitation of labour but on unequal exchange between regions which can be placed at the same level as a cause of underdevelopment.

How does the law of value operate through these conditions of capital accumulation to necessarily produce an inequality of regional development? To seek an answer to this question we must refer to Marx's theory of capitalist development based on the proposition of a "law of the falling tendency of the rate of profit". According to this theory, the development of the capitalist system, the expanded reproduction of capital, is based on its capacity to produce conditions that counteract this inherent (structural) tendency. These conditions can vary, but essentially involve either the intensification of the existing rate of exploitation (depression of wages, increased productivity, longer labour hours) or its increase by discovery of new sources of cheap labour (partially reflected in the cost of raw materials) or, in times of crisis, of new markets.[14]

The production of these conditions requires mobility in both labour and capital under the necessary framework of a market, which can operate under both competitive and monopoly conditions according to the dictates of an inevitable process. By breaking down the barriers to the free circulation of merchandise, labour and capital, the market mechanism allows for their redistribution according to the law of value based on the profit imperative.

It is this mobility in the distribution of labour and capital that explains the role of regional underdevelopment in the growth and consolidation of the capitalist system. First, with respect to the labour factor, the conditions of an uneven, polarised development can be connected to what Marx termed the "General Law of Capital Accumulation". Concomitant with the fundamental tendency for capital to centralise (concentrate in industrial centres) is the equally fundamental tendency for its expanded, reproduction to create a *relative surplus population*, an *industrial reserve army*, which takes the following forms: (a) a *floating surplus* formed by the alternate expansion and contraction of production, alternatively throwing some workers out and drawing them into production; (b) a *latent surplus* formed by the conditions that contract the economic basis of subsistence or independent commodity production (peasants, artisans, etc.); (c) a *stagnant surplus* formed by workers in marginal, very irregular employment; and (d) a yet lower stratum of individuals unable to sell their labour at any price, the, "hospital . . . and the dead weight of the industrial reserve army."[15]

As a pool of reserve labour, the existence of this surplus population functions as a mechanism that prevents wages from rising above value, and as such, a lever of capital accumulation, which works on the condition of an uneven development: the greater the social wealth, the mass of functioning capital *at one pole*, the greater the mass of exploited labour and with it the formation of a reserve army, the source of poverty and misery, at the other.[16]

Within the context of this polarised, uneven process of capital accumulation, the fundamental role of regional underdevelopment is clear: to furnish the industrial centres with reserves of cheap labour. The conditions of this role are very complex, but they can be analysed particularly in terms of a labour-force flow from non-industrial areas to industrial centres.[17] The general pattern of this movement has been empirically well established at both the international and the inter-regional levels. The vast movements of overseas migration of the labour-force to the United States, Canada, Brazil and Argentina in the nineteenth and the early twentieth century, has its close parallel to the migrationary movement within the Maritimes and from the Atlantic region to central Canada and can be explained in the same terms: as a response to conditions of capitalist development in the centre.

However, this is but one side of the picture. The unequal development of various regions and nations under capitalism is not entirely determined by conditions of labour mobility. There are limits to this process by which labour is freed and mobilised in peripheral areas for industrial capitalism at the centre. With these limiting conditions and given the fact that capital is more mobile than labour, the traditional pattern is reversed with a tendency for capital to move to non-industrial regions.[18] In these cases, industries go where they find concentrations of huge labour reserves, rather than drawing these reserves to the traditional industrial zones. This reversal of previous patterns can sometimes be explained by geographic factors, but its basic cause is the same: the pursuit of an adequate profit rate, determined in this case by a regional inequality of wages. This pattern is also applicable to both nations and regions within them. The falling rate of profit at the centre brings about a capital flow to the periphery where the cheaper source of labour allows for a higher rate of exploitation. Although de-emphasized by most *dependistas*, this export of capital to the periphery tends to reproduce in these regions some of the conditions of industrial capitalism, i.e. wage labour and investment in industry.[19]

However, the form, scale and direction of this investment is inevitably determined by the requirements of capital accumulation at the centre. As a result, capital on the periphery tends to concentrate in the extractive sector (mining, agriculture) which promotes an unbalanced division of labour and trade on an international scale. Typically, peripheral areas are led to specialise in the production and export of raw materials necessary for industrial expansion at the centre.[20] In this regard Canada has stood in the same relation first to England and then to the United States as the Atlantic region has stood in relation to the central provinces, and at a different level again, the rural areas stand in relation to urban centres.

There is another dimension to this regional structure formed by an unbalanced division of commodity production, one that is more generally stressed by dependency theorists. This is that it supports peripheral areas in the role of securing a market for the growth of capitalist industry at the centre.[21] In this connection, the inequality of regional development is generally traced back to capitalist control not over the means of production but over the conditions of exchange.[22] This control forms the basis of a series of unequal exchange relationships between industry and agriculture, developed and underdeveloped regions or nations, involving a transfer of surplus-value, a process of capital drain from the periphery to the centre.[23] The mechanisms of this surplus transfer, for the most part hidden as in the conditions of trade, are brought to the surface by the various theories of unequal exchange produced in the dependency tradition. Within Canada, there is no comparably systematic analysis of unequal exchange at the regional level, although the same principles apply and there are numerous studies that move in this direction.[24]

Class and Region in Capitalism

The analysis advanced thus far is based on the thesis that an inequality of regional development is the necessary product of conditions created by capital accumulation. This thesis implies the systematic transformation, and in some sense the destruction of formerly dominant modes of production in the regions penetrated by capitalism. Presumably, production in these regions is reorganised to satisfy the requirements of capital accumulation, and with production thus placed on a capitalist basis (land, labour, and its products, transformed into commodities) the complex of pre-capitalist relations give way to the capitalist relation of wage labour, with conditions which overdevelop some regions and underdevelop others.

To the degree that it supports this assumption of a global system that swallows or destroys all prior modes of production in the process of its expansion, the thesis in question is misleading. It is unquestionably the case that the expansion of capitalism does not necessarily involve the destruction of pre-capitalist relations. In fact, it can even be argued that the capitalist system reproduces certain pre-capitalist relations as a condition of its own expansion.[25] In any case, it is certainly a fact that capitalism either co-exists with or is integrated into systems based on subsistence, domestic and independent commodity or feudal modes of production; it combines with work relations formed by other modes. This is of the utmost importance for an analysis of regional underdevelopment.

Marx himself posed this problem of the relationship of capitalism to pre-capitalist formations only in historical terms, as a question of the conditions required for the emergence of capital. However, given the simultaneous co-existence of pre-capitalist and capitalist modes of production, with the integration of the former into a structure dominated by the latter and the continued reproduction of the former within this structure, the problem is clearly a structural one as well. As such, the question of a connection between pre-capitalist and capitalist formations can be applied not only to the analysis of primitive accumulation but also to the later stages of capitalist development.

To pose this problem of a structure formed by the combination of pre-capitalist and capitalist relations, raises questions not only about the Capitalist Mode of Production (CMP), the internal dynamic of which we have partially traced out, but also about the internal structure of the various pre-capitalist modes. With respect to the Asiatic modes of production, Marx emphasised that certain pre-capitalist modes are much more resilient than others to capitalist penetration for reasons that have little to do with the psychology of the producers, but a lot to do with the internal structure of the modes in question. However, since it is not merely a question of resistance but of the continued reproduction of pre-capitalist relations within a structure dominated by capitalism, the essential problem is still one of capital accumulation. In this connection, there are two possible positions on the articulation of the CMP with pre-capitalist formations: (1) it is necessary at a certain stage of capitalist development (Lenin, 1948); (2) it is necessary at all stages of capitalist development (Luxembourg, 1951). In either case, it is assumed that a purely internal accumulation of capital is impossible. Given the assumed tendency for a falling rate of profit at the centre, the capitalist penetration of pre-capitalist formations is required for *access to the material elements necessary for expanding reproduction*, namely raw materials and labour, or at times of crisis, by the need for an *external market.*[26]

If not an answer, we have at least the framework of an analysis. To pose the problem in this form, however, still begs the question of why capitalist penetration of pre-capitalist formations would lead to their continued reproduction rather than their destruction as generally assumed. To raise this *unasked* question suggests that the reproduction of pre-capitalist relations is actually functional for capitalist development.

To properly pose this problem requires its placement in the context created by a capitalist penetration of production in peripheral areas. On the one hand, the capitalisation of production in these areas creates conditions that contract the economic and social basis of self-subsistent, simple commodity, and other pre-capitalist modes of production. On the other hand, with the concentration of investment in the extractive sector, and the consequent specialisation in the production and export of staples, industry does not keep pace with the supply of labour thus created. This is one of the most characteristic features of dependent capitalist development, resulting in the formation of a large industrial reserve army. There are a number of problems created by this development, a major one of which is how to hold this labour in reserve for periods of capitalist expansion. Some of the surplus population is absorbed by a heterogeneous sector which forms to service capitalist production.[27] Another portion of the surplus population migrates towards the industrial centres to form the basis of a working class at the centre, and to a lesser degree on the periphery. However, with industrial capital largely concentrated at the centre of the system, this surplus population on the periphery forms the basis of a semi-proletariat and a large underclass of dispossessed farmers, poor fishermen, and other *lumpen* elements on the fringe of the capitalist labour market that surface only as an unemployment statistic.[28] Clearly a more satisfactory solution for capitalism is for as much of this surplus population as possible to stay on the land or be otherwise involved in pre-capitalist work relations, while securing the instruments of its mobilization as required.

And this is precisely what happens in underdeveloped countries and regions in which a significant sector of production has a petty commodity form, is based on subsistence (agriculture, hunting, fishing, etc.), or (and this does not apply to Canada) is still governed by feudal relations. These pre-capitalist modes of production form the basis of complex social formations that ensure the vital needs of all members — productive and non-productive — of the community. The significance of these social formations is that they do not exist in isolation but, as postulated by Luxembourg, are structurally linked to the CMP. Typically, the productive members of pre-capitalist formations exchange their labour-power for a wage either on a seasonal or a temporary basis, or even for an extended period involving a move of the immediate family.[29] The form and conditions of this structural tie to a wage-labour economy is quite variable, and requires careful empirical analysis, but its essential function in the expanded reproduction of capital is clear. Apart from the question of an industrial labour reserve, the reproduction of pre-capitalist relations, incluidng those that derive from domestic production,[30] serve to increase the rate of exploitation, and thus offset the falling rate of profit at the centre. The mechanisms of this exploitation are specific to the structures that link these pre-capitalist relations to the conditions of a dependent capitalist development.[31]

First, both domestic labour and subsistence production, pockets of pre-capitalist relations, contribute towards the reproduction of labour-power, a pre-condition of capitalist development. Although the family and the self-subsistent community thus create conditions vital to the expansion of the CMP, their internal structure is pre-capitalist in form; the commodity labour-power is produced and reproduced within the framework of non-capitalist institutions. Under these conditions, capitalists dispose of a labour-force towards whose formation it has made no investment.

Second, given the conditions under which the productive members of pre-capitalist formations are forced to sell their labour-power, the capitalist extracts a labour-rent on top of surplus-value. It requires an exploitation of the complex mechanisms of migrations to and from, and setting up a double labour market.[32] Added to the direct exploitation of productive workers is the indirect exploitation of the labour required of their wives and kin through the provision of services (domestic, social, security, etc.) which the capitalist would rather not assume, but which are necessary both for the reproduction of labour-power and for the preservation of an industrial reserve army.[33]

Although the conditions of this super-exploitation require much empirical study, its central point is clear enough, and in conclusion can be established as a principle of analysis, a working hypothesis. The CMP creates conditions of class dependence reproduced at the social level through an inequality of regional development, and the preservation of certain pre-capitalist relations. A strategy of research on regional underdevelopment would do well to concentrate on an analysis of these conditions.

Methodological Notes on Surplus Value

(1)

As defined by Marx, the value of a commodity is determined by the "labour time socially necessary . . . for its production". (*Capital*, vol. 1, p. 16) The characteristic feature of the CMP is the need for workers to sell their labour for a wage, which, on Marx's assumption that "commodities are sold at their value", (519) represents the value of labour-power. On this assumption, surplus-value represents the difference between the value created by labour and the value of labour-power paid to workers in the form of wages. "The production of surplus-value", Marx argues, "is the absolute law of [the capitalist] mode of production". (618) Its necessary condition is: "Labour-power is saleable so far as it preserves the means of production in their capacity of capital, reproduced its own value as capital, and yields in unpaid labour a source of additional capital". (618) Under this condition, "the correlation between the accumulation of capital and the rate of wages is . . . at bottom, only the relation between . . . unpaid and paid labour." (621) As such, this relation of exploitation is expressed in the formula of surplus-value: surplus-value/value of labour-power. (531-4) Since the value of labour-power, received in the form of wages, represents the amount of labour-time necessary for labour to pay for itself, this formula can also be expressed in the form: surplus-labour/necessary labour. In this form (measured in time units), the value terms of the relation can be inferred and thus calculated in terms of price as the share of total profits to wages in the industrial output or national income. Needless to say, such a measure has its problems. Even if one sidesteps the theoretical problem of transforming values into prices there is the problem raised by the distinction between productive and unproductive labour. (Yaffe, 1973: 191ff) If one accepts Yaffe's position that *variable capital* represents only the wages of productive labour, not that of the total labour force, then the share of wages and profits in national income is a poor measure of the rate of exploitation.

(2)

The various theories of unequal exchange to which we have referred raise several questions about the calculations of the rate of exploitation. Of particular relevance to our conception of the problem is Emmanuel's theory based on the assumption not only of an unequal productivity of labour at the centre and on the periphery, but also on the hypothetical assumption of equal wages. In brief, if labour at both poles of the system were equally valued (rewarded as a factor of production), then the export price of goods produced on the underdeveloped periphery would be considerably higher. On this basis, trade constitutes a system of unequal exchange, a hidden mechanism of surplus transfer involving a drain of capital from the periphery to the centre. Put differently, labour is paid below value on the periphery, above value at the centre. In effect, Emmanuel treats wages as an independent variable: export prices are low because wages are low. This, of course, goes against Marx's insistence that in relation to the rate of capital accumulation, "the rate of wages [is] the dependent, not the independent, variable". (620) The source of Emmanuel's mistake is that he forgets at this crucial point that wages, as the value of labour-power, represents the cost of producing this labour-power, and that this cost varies not only historically but also across regional and national boundaries. (559ff) The cost of the expanded reproduction of labour-power within a structure of regional divisions is quite variable, and in itself a sufficient explanation of regional inequalities of wages, without resorting to the assumption that labour is paid well below value in some instances, and above value in others. This latter assumption never fully applies, given that the price of labour-power, strictly speaking, can occasionally rise above its value but can never sink below it. (519) It is true, nevertheless, that under monopoly conditions of external control, this law of exchange need not — and often does not — apply. However, even here there are strict limits to the process of unequal exchange (buying cheap and selling expensive). It can only apply when exchange involves the import of wage goods into the industrialised centre as a condition of lowering the cost of labour-power, and their import into the underdeveloped regions as a condition of raising this cost. Thus one can explain the frequent occurrence on the periphery of dramatic long-term decreases in the exchange-value of their staple-industry products without a corresponding fall in either or both wage goods or capital stock. Such a fall in industrial output relative to the cost of labour and the mass of fixed capital when it occurs in the centre is, of course, a classic example of the declining rate of profit as Marx conceived it. However, when it occurs in the underdeveloped regions of the periphery, the question of an unequal exchange applies only to the degree that the capitalist mode of production is generalised. As suggested above, this is not typically the case. The costs of developing labour-power on the periphery are usually only partially capitalised, with a significant contribution of labour organised on a non-capitalist basis. Under these conditions the question of unequal exchange only complicates the real problem, which is to calculate the value of labour-power in each instance.

(3)

In calculating the relative value of labour-power, Marx assumes that commodities are generally sold at their value. (519) On this basis, Marx makes reference to the following factors:

(1) "The price and the extent of the prime necessaries of life as naturally and historically developed", which Marx points out, "varies with the mode of production"; (519)

(2) the cost of training the labourers;

(3) the part played by the labour of women and children;
(4) the productiveness of labour;
(5) its extensive . . . magnitude (number of work hours);
(6) its intensive magnitude (number of workers per machine).

A comparison on these factors requires, first of all, the following controls:

(1) an *average day wage* for the same trades and for different wage forms (time wage, piece wage).
(2) an *average intensity of labour* for the production of commodities, which, as Marx points out, changes from country to country — and we may add, from region to region.
(3) relative differences of the value of money (560-3).

With respect to the first two controls, it is a question of forming a scale of the appropriate units of measure. (560) The third control touches on a further problem. Here Marx points out that *relative values of money will . . . be less in the nation with a more developed CMP than in the nation . . . less developed.* (56) From this, "it follows that *nominal wages*, the equivalent of labour-power expressed in money, will also be higher in the first nation than in the second". (560) However, Marx adds, this, "does not at all prove [true] . . . for *real wages*, i.e., for the means of subsistence placed at the disposal of the labourer". (560) In this connection, Marx observes that even if we control for relative differences in the value of money,

> "frequently . . . the wage in the first nation is higher than in the second, whilst the relative price of labour, i.e. . . . as compared both with surplus-value and with the value of the product stands higher in the second than in the first." (560)

In other words, labour tends to be cheaper in rich countries than in poorer ones in relation to capital costs *within* (but not between) their respective boundaries. (560 n2)

This is in fact the problem requiring explanation: the difference in the relative price of labour expressed in real wages. Marx himself at this point does not essay a solution beyond various illustrations that point to the average intensity of labour and dismisses the theory that wages rise and fall in proportion to labour productivity. (561-3) Where he does move towards a solution is earlier in chapter XVII of *Capital* volume one. Here Marx makes passing reference to the first three of the above factors, each of which has an effect not easily measured, but excludes them in an analysis based on the last three. (520-30) In this analysis, Marx considers the many different possible combinations according to which many of the three factors are held constant or treated as variables. With reference to these considerations, it is clear that the regional structure of this variation can easily enough explain the relative costs of labour power, which, after Johnson, can be measured via an *average purchasing power index*.

(4)

One point of principle is clear: acts of exchange, do not add to value or produce profit. If wages are equal to the value of labour-power, then unequal exchange via trade cannot affect them. All it can do under conditions of regional inequality is transfer surplus value from one region to another, which is merely to re-distribute profit extracted under varying conditions of social production. Under these conditions of regional inequality the market mechanism can function to reduce the value of labour-power at the centre and thus offset the tendency of a falling rate of profit. This is clear enough in principle. The problem under these conditions of regional inequality is to calculate the ratio of the value of labour-power to the value produced by labour. Clearly capitalists at the centre appropriate an added surplus value by internal migration, a double labour market, the product market, etc., through which capitalists acquire labour without having to bear the cost of its development. The question is how to measure the value of this labour power under conditions such as domestic labour or subsistence agriculture involving other modes of production in which there is no direct exchange with capital, and in effect, no market. Without a market in labour, the magnitudes of value cannot be measured. No matter how clear it is in theory that capital is accumulated through an indirect exploitation of labour organised on a non-capitalist basis, it cannot be empirically determined. This is, for the most part, a problem without solution.

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Notes

1. A selected range of these theories (staples, Development, NeoClassical, regional science), for what they are worth, are briefly outlined in Economic Council of Canada, *Living Together* (Ottawa: 1977), pp. 23-30. The thinking behind this book shifts loosely among these theories, none of which admittedly serves as a general explanation of the well-known facts of regional disparity.

2. Key points of reference for this theory are Samir Amin, "Accumulation on a World Scale" (New York: *Monthly Review*, 1974) and "Unequal Development" (New York: *Monthly Review*, 1970); Fernando Cardoso, "Dependencia y Desarrolo en America Latina" (Mexico, D.F.: *Siglo* XXI, 1969); Emmanuel, "Unequal Exchange" (London: NLB, 1972); and Andre Gunder Frank, "Capitalism and Underdevelopement in Latin America" (New York: *Monthly Review*, 1967). The dominant Latin American tradition of this theory is reviewed in Ronald Chilcote, "A Critical Synthesis of the Dependency Literature", *Latin American Perspectives*, vol. 1, no. 1 (Spring 1974). Although Frank and Amin's work are the main points of reference, the underlying Latin American tradition of dependency theory has raised the questions of political economy increasingly taken up by a network of Canadian scholars. See *A User's Guide to Canadian Political Economy* (Sept. 1977) compiled by W. Clement and D. Drache, which suggest that Canadian studies are no longer sidetracked by the national question but like the articles in Gary Teeple (ed.), *Canada and the National Question* (University of Toronto, 1972), analyse it in terms of the social question.

3. This form of dependency theory (*the development of underdevelopment*) is most clearly represented by Andre Gunder Frank, "Capitalism and Underdevelopment in Latin America" (New York: *MR*, 1967). At a certain level the assumptions on which this theory is based is shared by the theory of "Unequal Exchange" outlined by Arghiri Emmanuel, "Unequal Exchange" (London: NLB) and Samir Amin, "Accumulation on a World Scale" (New York: *MR*, 1974).

4. This second form of dependency theory (*dependent capitalist development*) is best represented in Fernando Henrique Cardoso "Dependency and development in Latin America", *NLR*, vol. 74 (July-August, 1972); *Dependencia y Desarrollo en America Latina* (Mexico: Siglo Veintiuno, 1969).

5. As illustrated by *A User's Guide to Canadian Political Economy* a considerable range of studies have addressed and are raising questions of political economy from a shared perspective. However, the guiding principles of this perspective are still being worked out. A debate on problems of theory and method in relation to historical fact is but in its early stages.

6. See Amin, *op. cit.*; Emmanuel, *op. cit*; and Frank, *op.cit.*

7. A good centre of reference for this concept of development and underdevelopment is the distinction made by Amin (1974) between an integrated *autocentric* economy wherein internal or domestic exchange is more important than external exchange (*i.e.*, imports and exports) and an economy *disarticulated* because of the domination of external over internal exchange. As brought out by Williams (1976) the theory based on this conceptual distinction lays emphasis on the size of the internal market as the crucial condition of independent capitalist development. However, Williams' analysis suggests that on the basis of Amin's theory it is also possible to explain the relatively high development of Canada's economic system within a framework of dependency.

8. Karl Marx, *A Contribution to the Critique Political Economy* (Moscow, 1970), p. 200.

9. See for example Tom Naylor, "The Rise and Fall of the Third Commercial Empire of the St. Lawrence", in Gary Teeple, *op cit.* In actual fact, primitive accumulation both in Europe and

Canada derives not so much from commerce as it does from a direct or indirect exploitation of labour, land grabs, monopoly control of the means of production, extortion of rent, piracy, currency manipulation. In the case of Canada not much is known, even today, of the specific origins of the first Capitalists, and Marx had nothing in the way of concrete historical material to offer on this matter. He does indicate, however, that there are two contrasting historical modes of progression into capitalist production. The first is where a segment of the merchant class moves over from purely trading operations into direct production. This occurred in the early development of capitalism in Italy, and in England in the late fifteenth/early sixteenth centuries. However, this form of capitalist formation soon becomes "an obstacle of the CMP and declines with the development of the latter". (*Capital*,vol. III, p. 329). The second avenue of capitalist development is, according to Marx, "the really revolutionary way". Here individual producers themselves accumulate capital, and move from production to expand into trade. While Marx gives only a few hints of how this second mode of development occurs in manufacture, the analysis of Naylor (1972) and Teeple (1972) points to its necessary social conditons.

10. Marx, *The Grundrisee* (London: Penguin Books, 1973), pp. 505-7. Emphasis in original.

11. It is this exploitation of wage-labour by capital, the appropriation by the latter of surplus produced by the former, that constitutes the *innermost secret*, the hidden basis of the *entire social* structure and with it the . . . relation of . . . dependency. Accordingly, the mechanism of surplus appropriation based on the capitalist relation of wage-labour should be taken as the defining characteristic of the capitalist mode of production (*Capital*, vol. 1, p. 217).

12. The importance of this distinction between the extraction and realisation of profit can be traced back to the opening chapter of *Capital*, vol. one. Here Marx advances a complex argument based on the principle that an exchange of commodities cannot be understood on its own terms, but must be placed in the context of social production. On this basis, Marx argues that despite appearances the real source of profits is found not in acts of exchange but in relationships of production. The confusion of the realisation of profits with their real production arises from a tendency to view the process of capitalist production from the standpoint of the individual firm. This confusion is compounded by the existence of specialised firms that make profits through buying and selling without engaging in production at all — wholesalers, retailers and banks fall into this category: the cheaper they buy and the more expensively they sell the greater their profit. However, this obvious fact has no bearing on the general proposition that profits as a whole originate in production as the surplus of the social product over the consumption necessary for its production. The magnitude of social profit is not affected by acts of exchange, although its distribution between different firms is subject to market conditions. The forces that determine the distribution of profits should not be confused with those that determine its magnitude. They are of strictly secondary importance. (Marx, *The Grundisse* (London, Penguin Books, 1973, p. 424) The proposition of such a long-term tendency is the theoretical basis of Marx's analysis of capitalist development. It is also the ultimate centre of reference for a dependency analysis of underdevelopment. Without the assumption of a structural tendency of a falling rate of profit, the phenomenon of exploitation loses its *objective* basis. No longer is it a question of *necessity*. Marx's theory of a falling rate of profit is based on the assumption of a tendency under capitalism for a rise in the organic composition of capital. Since labour is the source of value, and given Marx's formula for the rate of profit (s/c + v), a tendency for the organic composition of capital necessarily leads to a falling rate of profit. The problem is that the organic composition of capital is calculable in principle, but, as pointed out by Steedman (1975: 80), has never been established in fact. Moreover, the whole theory of a falling rate of profit is in serious dispute (Hodgson, 1974; Colletti, 1974; Rowthorn, 1974). What has to be squarely faced, however, is that without the assumption of a falling rate of profit, an analysis of dependent capitalist development has no theoretical basis.

13. Some of the methodological problems involved in this extension are discussed in the Appendix.

14. *Capital*, vol. 1, ch. XVII.

15. *Ibid.*, p. 664.

16. *Ibid.*, p. 632.

17. This pattern forms the basis of a well-worn thesis in many studies of modernisation based on alleged but unexplained (assumed) *forces of spatial concentration and diffusion*. A very representative case of this tradition is Michael Ray, *Canadian Urban Trends* (Toronto: Copp Clark Publishing, 1976).

18. This only happens in certain circumstances. The historical and structural conditions of these circumstances are not given in principle (beyond a general reference to the profit dynamic) and require a systematic analysis. Some halting steps toward such an analysis are essayed in my 'The Underdevelopment of Atlantic Canada', forthcoming publication in *Radical Review of Political Economy*.

19. One of the basic tenets of dependency theory is that dependent status tends to block the development of industrial capitalism (Frank, 1969; Naylor, 1973). This widely accepted thesis in the case of Latin America has been challenged by a careful empirical analysis (Warren, 1973) and defended on the same basis (Emmanuel, 1974). In the case of Canada, Naylor's version of the thesis has been criticised by Ryerson (1976) and others.

20. This pattern is so well established that it is taken as the key indicator of an unbalanced, dependent capitalist development. In the case of Latin America there are a great number of historical studies organised around a sequence of *export enclaves*, (coffee, sugar, cocoa, bananas, copper, tin, oil, etc.) developing in response to the needs of metropolitan interests (Abad, 1970; Furtado, 1970; Sunkel, 1969). These studies have their counterpart in the Canadian studies based on a staple theory (Creighton, 1959; H.A. Innis, 1956; M.Q. Innis, 1954; Watkins, 1963). Both the enclave and the staple theories take the national economy as their unit of analysis. Needless to say, the same principles can be applied to a regional analysis.

21. The theory of this can be traced back to Rosa Luxembourg *The Accumulation of Capital*, London: Rutledge & Kegan Paul, 1951) who argued its necessity at all stages of capitalist development. On the concentration of production and manufactured goods in Canada's central provinces see Buckley (1974: 10-11).

22. The mechanisms and institutional framework of this monopoly control have been analysed at length on the basis of a theory of imperialism (Dos Santos, 1970; Hayter, 1972; Magdoff, 1969; O'Connor). A study by Vaitsos (1974) does not fall into this tradition but provides a close analysis of the specific mechanisms of surplus transfer used by transnational corporations at the monopoly stage of capitalist development.

23. This proposition of capital drain is shared by all dependency theories of underdevelopment, although it has been suggested that "the so-called [Capital] drain may merely be the foreign exchange price paid for the establishment of productive facilities". (Warren, 1973: 39).

24. See, for example, the study by Bruce Archibald, "Atlantic Regional Underdevelopment and Socialism", in Laurier LaPierre *et al*, eds., *Essays on the Left* (Toronto, 1971), pp. 103-20; Archibald, "The Development of Underdevelopment in the Atlantic Provinces" (M.A. thesis, Dalhousie University, 1971).

25. See Barbara Bradby, "The Destruction of Natural Economy", *Economy and Society*, 4, 2 (1975); and Claude Meillassoux, "From Reproduction to Production", *Economy and Society*, 1, 1(1972).

26. Rosa Luxembourg, *The Accumulation of Capital* (London: Routledge & Kegan Paul, 1951).

27. The characteristic feature of urbàn centres on the periphery of the capitalist system, whether in Lima, Guayaquil, or Halifax, is the predominance of a heterogeneous service sector, the social basis of its new *middle* class defined by an indirect relation to capitalist production. The socio-economic status of this broad class grouping is extremely variable as it involves a range of services from those that fulfill the function of capital, management, banking, etc. to a series of professional and white-collar functions, all the way to a number of petty services. These economic services, as the basis for government planning, are very well understood in occupational terms, but rarely analysed in terms of class studies in the Latin American context (e.g. Anibal Quijano, *Nationalism and Capitalism in Peru*, New York: 1971) but as far as I know there are no Canadian equivalents of such a systematic class analysis.

28. See Leo Johnson, 'The Development of Class in Canada in the Twentieth Century', in Gary Teeple, *op. cit.*; and *Poverty in Wealth* (Toronto: New Hogtown Press, 1974).

29. This is a problem well known to exist, and partially reflected in statistics on internal migration and employment, but little studied. For preliminary indications of such an analysis see Mike Beliveau, 'Canso, Cabinda and the "Weltury" Boys: The Gulf Oil Story', *Round One* 12 (Feb. 1974).

30. Our analysis of the regional question could as easily be applied to the question of domestic production in its separation from social production under conditions of a sexual division of labour. This question recently has been subject to a serious theoretical debate (Benston, 1969; Coulson/Magas/Wainwright, 1974; Seacombe, 1974). An entire issue of *Latin American Perspectives* (vol. 4, Nos. 1-2, 1977) has been devoted to an analysis of this question in the Latin American context. The Canadian case is currently being explored with studies such as Connelly (1976).

31. Again we have here a problem too little studied, although the following papers move in the right direction: B. Bernier 'Capitalism in Quebec Agriculture', *The Canadian Review of Sociology and Anthropology*, 13, 4 (1976); Max Hedley, 'Independent Commodity Production', *The Canadian Review of Sociology and Anthropology*, 13, 4 (1976); Meillassoux, *op. cit.*

32. See Patricia Connelly, *Canadian Women as a Reserve Army of Labour*, Ph.D. dissertation, O.I.S.E., University of Toronto (1976), to be published by *The Women's Press*; and Meillassoux, *op. cit.*

33. Marx himself suggests the concept of such an analysis in 'the appropriation of Supplementary Labour-Power by Capital: the employment of Women and Children' 1967: 394-402). However, since the principles of Marx's analysis apply only to the production of surplus-value, there is no basis in Marx for an analysis of super-exploitation under conditions that combine various modes of production. As noted in the Appendix, without a direct exchange with capital, the contribution of 'supplementary labour-power' no matter how clear in principle cannot be calculated in fact.