Value and Unequal Exchange in International Trade
By Andrea Ricci
Routledge: Abingdon, Oxon. 242 pages, £120 (hardcover).

Ricci reviews theories of unequal exchange (UE), concluding that they are rooted in *imperfections* in capitalism, rather than in an understanding UE as emerging from the *normal* functioning of the capitalist mode of production on a global scale. To establish such a framework, he first elaborates the theories of value and money which underpin his theory of UE. Against the 'substantialist view', wherein value is understood as a property of a commodity which derives from the abstract labour objectified in it, he proposes a 'processual view', wherein value acts as a 'social algorithm' translating between the market exchange ratio of commodities (the 'extrinisic measure') and the quantity of objectified socially necessary abstract labour (the 'intrinsic measure'). Money, in Ricci's view, is *always* a commodity-in-general, in that it has both use and exchange value; but he differentiates money as capitalist commodity (gold) and money as non-capitalist commodity within capitalism (fiat socially imposed by the state). Money expresses *both* the extrinsic and the intrinsic measures of the exchange value of commodities. In a powerful metaphor, Ricci compares money to an x-ray. Without the x-ray we could not compare the organs of different people, but they are comparable not because they are impressed on the x-ray, but because they are made of a common organic substance: "In the case of money, this common substance is abstract labour, and the human organ is the abstract labour time objectified in the commodity."

These theoretical priors are brought to bear on UE. Critically for its calculation, differences in national labour productivities mean that the application of the international law of value results in the systematic overvaluation of exchange rates of rich countries (the 'Penn effect', a 'puzzle' unresolved in the orthodox economic literature). This is because the national units of average social labour are not comparable since they are founded on different historical and institutional trajectories. When the exchange rate corresponds to its Purchasing Power Parity level, national units of labour are "coherently converted in units of universal labour having an identical monetary expression for all countries", but if this is not the case, "a unit of universal labour has a different international monetary expression depending on its national origin", with the difference equal to the margin between the exchange value that a country creates in production ('the intrinsic measure') and that which it is able to realise in circulation (the 'extrinsic measure').

Ricci calculates value transfer between centre and periphery, 1990–2019. The central regions' inflow reaches a peak of 8.5% of their GDP in 2008. Outflows from the emerging periphery correspondingly peaked in absolute terms during the global financial crisis, though fell as a share of their GDP from an average of 20% before the GFC, to single digit levels in the last decade. Outflows from the poor periphery, especially South and Southeast Asia, have grown in both absolute terms and as a share of GDP throughout, exceeding 20% of GDP. Importantly, the relative share of value transfer that occurs via Global Value Chains (GVCs) has steadily increased during the period. An index of dependency on UE, showing the share of potentially available economic surplus received from/transferred abroad, reveals that of all peripheral countries, only China has started to move towards a net neutral position on value transfer.

Ricci's findings should lead many orthodox – and indeed heterodox – economists, to question their belief in the 'progressive' properties of capitalism. In this view, while exploitation under capitalism may not be pretty, in the long-run it leads to technology transfer, rising productivity in the periphery and increases in living standards, that is, catching up. More countries will follow the Chinese example. Abstracting from what this understanding implies for climate breakdown, Ricci's work provides a theoretical framework and empirical evidence with which to counter such facile assertions. It should be of interest, not only to those studying trade and GVCs, but finance, labour studies, value theory, inequality and more. It deserves to be at the centre of a reinvigorated discussion of imperialism and dependency.

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