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THEORIES OF THE EXPLOITED PEASANTRY; A CRITICAL REVIEW

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Theories of the exploited peasantry: a critical review

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The object is to discuss the theoretical foundations of the Neo-Marxist argument stating that by a process of unequal exchange, the existence of the peasant economy in the agricultural sector of capitalist, Less Developed Countries (LDCs) means that rent payments are avoided.

The article begins by presenting a summary of the implications on sectoral exchange of the transformation of labour values into prices of production. In Section II the modern versions of the theory of ground rent are discussed, and Section III is a critical review of the divergent propositions concerning the peasant economy's exchange relations in the product market. The article ends by proposing an emprirical approach for the study of the exchange relations of the peasant economy and of a heterogeneous agricultural sector.

I. The Transformation of values to Prices of Production and Sectoral Exchange.

Our point of departure is the labour theory of value (LTV) and in particular, its propositions concerning the exchange relations of the components of a capitalist or market economy, contained in the so called transformation of "values" into "prices". In order to synthesise, let us first define value (Z^v) as the sum of dead labour (D^v), living labour (W^v) and surplus value (S^v):

(i) $Z^v = D^v + W^v + S^v$

(i) does not include the fact that under capitalism production is for exchange, i.e. that commodities of different use values are produced and exchanged. To incorporate this into the definition demands a criterion for dividing the productive system into spheres, departments or sectors. In Marxian economics there is not a general procedure of doing this which is applicable to any situation. What is commonly done in the literature is to take implicitly a criterion of disaggregation depending of the particular aspect that is studied. Since the solution of this problem requires a definition of the sectors forming the system as well as of the constituent elements of each sector, it will be refered to here as forming part of the "aggregation-disaggregation question".

For the time present I will define a productive sector as one formed by those units (capitals or firms) producing the same kind of product of similar quality. So,

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a sector will be made up by units producing an homogeneous commodity, i.e., a commodity with the same use value. (1)

The question to be answered now is how the value, or more precisely, the exchange value of a commodity is formed when produced by several productive units, i.e. how the market value (MV) of a particular commodity is formed.

One way of solving the problem is to assume that all units use the same method of production. Karl Marx gives two alternatives to this: either that MV equals the average value, or that it is determined by the individual value (IV) of those units using the technically dominant, normal, or most common condition of production. This is not, however, the whole issue since Marx also considers fluctuations of demand and market price (MP) (cf. Marx, K. **Capital**, Vol III (1977) p.173-199). Some authors dismiss this latter consideration, taking the definition of MV as presented before; while others have tried to integrate MPs and/or fluctuations of supply and demand into the theory of market values. (2)

What is generally accepted is a conclusion relevant for my purposes: since some IVs are different from the MV of a commodity produced in a sector (there is in general a range of more or less efficient techniques in use each with an IV), the formation of the MV will produce extra surplus value accruing to those individual capitals or units whose IV is below MV and vice versa.

Leaving for subsecuent sections the discussion of the questions raised by Marx's theory of MV, it is possible to write in symbols the value of a particular commodity "j" (the MV of j) using any of the definitions just presented:

(ii) $Z_j = D_j + W_j + S_j$

(ii) can be taken as representing an economic system whose product is given in labour content terms, where j = 1,2,...,n and "n" denoting the number of productive sectors forming the economy or use values produced. There are, however, some simplifying assumptions which have to be clarified. As well as the assumption needed for the settlement of each sector's MV, the above definition takes labour to be the only primary factor of production (i.e. land is ignored); labour being measured in terms of abstract labour, so that there is no problem of heterogeneous concrete labours. It also assumes implicitly that all constant capital is used up in one period of production (so that there are no fixed capital goods in the proper sense) and that all commodities have the same period of production.

Let us now define the price of production per unit of j as:

(iii) $P_j = (1 + \pi_o)(D_j^v + W_j^v)$,

where $\pi_o = \sum_{j=1}^{n} S_j^v / \sum_{j=1}^{n}(D_j^v + W_j^v)$

(iii) follows the definition of price of production in the sence that P is determined by the average rate of profit (π_o) acting as a mark-up above total capital, and because $\pi_o = \pi_j$. (3)

Define sector j's rate of surplus value and its organic composition of capital as:

$e_j = S_j^v/W_j^v$ and $\theta_j = D_j^v/W_j^v$, respectively.

Equation (i) can now be written as:

(iv) $Z_j^v = (\theta_j + 1 + e_j)\ W_j^v$

With some manipulation of the above definitions, the following expression for the ratio of price (of production) to MV is obtained:

$$\text{(v)} \quad \frac{P_j}{Z_j^v} = \frac{\theta_j + 1 + e\ (\theta_j + 1/\theta + 1)}{(\theta_j + 1 + e_j)},$$

where: $e = \sum S_j^v/\sum W_j^v$ and $\theta = \sum D_j^v/\sum W_j^v$

Expression (v) shows that if an equal rate of surplus value prevails (i.e. if $e_i = e_j$ for all i,j) those sectors with a lower organic composition than the average ($\theta_j < \theta$) will get a price (of production) below MV and vice versa.

Following the Classical view that MPs fluctuate around prices of production and accepting the contention that to every exchange of commodities there corresponds not only an equivalent exchange of "money value" but an exchange of labour value as well, the above result implies that competition will have as a consequence non-equivalent exchange between the productive sectors. Some of them will be getting a price lower than the labour contained in the commodities they produce and sell, others a higher price.

This conclusion can be used to argue that the agricultural sector, having in general a lower organic composition of capital than the economy's average, sells its output at prices below the labour contained in it and so, does face unfavourable exchange relations. However, this reasoning is preliminary since it ignores the use of land in agricultural production and more concrete phenomena such as the persistence of non-capitalist farms within a capitalist system. (4)

The use of land as a primary or non-produced factor is the basis of the analysis of rent and its effects on favouring agricultural exchange relations. The existence of non-capitalist, family based units of agricultural production and consumption in an otherwise capitalist economy is more concrete, a feature of the agrarian structure of many contemporary economies, mainly, but not exclusively, members of the so-called Third World; it gives rise to the hypothesis that peasant producers face unfavourable exchange relations in the products' market.

If one includes these two effects of the peculiarities of agricultural production in the value-price transformation, the proposition that agriculture faces unfavourable exchange relations must be modified. This is so because rent may increase agricultural prices, whereas the existence of peasant producers may decrease them, and there is no reason for these two tendencies to counterbalance themselves so as to leave the original result of the transformation unaffected. Both phenomena are very closely linked and have led to the argument that the peasant economy does have a "function" to perform under capitalism; to reduce or to avoid part of the rent (the "tribute society would have to pay") if agricultural production were carried out on the basis of using landlords' lands and/or exclusively under capitalist relations of production. (5)

II. Modifications of agricultural exchange when rent payments are introduced

The use of land in agricultural production gives rise to the theory of rent. Two features of this are generally taken to be the basic sources of rent: the differences in the quality of lands and their ownership under capitalism.

Those authors adhering to the Marxist theory of rent argue that these two specificities distort the formation of the agricultural commodity's MV and/or prices (both price of production and MP). They do in as much as they allow landowners to ask for an extra-payment over and above what they would obtain if agricultural production were carried out as in any other sector, i.e. without using land.

There are two kinds of rent: differential rent and absolute rent. The basis of the former is the existence of lands of different qualities and the application of different methods of production and/or levels of capital investment, whereas the basis of the latter is the movement into new, "less productive" lands.

The above propositions are uncontroversial for those scholars adopting Marx's theory of rent. The divergences begin, however, almost from the very outset, when defining who are the landowners.

When considering a pure capitalist regime of production by assuming that all production is carried out under capitalist relations of production, some authors, following Marx and the classic economists, take landowners to be a social class, different from capitalists; some others argue that in modern capitalism landowners are capitalists as well. In the first case, capitalists have to pay a rent to landowners in order to use their land; in the second, agricultural capitalists receive an extra-payment when selling their production.

These two views are a variant of the "aggregation-disaggregation question", having different consequences for both the type and the magnitude of the extra-payments arising from the peculiarities of agricultural production. The first implies that rent is a tribute that a particular class (capitalists and/or workers) have to pay to another class (landlords); whereas the second view can be taken to be the basis of "favourable" exchange relations to a particular sector, agriculture.

I will consider, first, the modern interpretation of the Marxist theory of rent proposed by Ben' Fine as representative of the Classical view that singles out landowners as a class; and then, Armando Bartra's propositions as the basis of the version that considers the possibility of agrarian capitalists being landowners as well. This latter view is then extended using some of Makoto Itoh's ideas on the question. (6)

Fine proposes that Marx's theory of differential rent is more easily understood once it is seen to be based upon competition within the agricultural sector, i.e. it concerns the formation of MV from differing IVs. Land ownership, together with the existence of lands of different qualities, implies that the agricultural commodity's MV is settled by the IV of the worst land in use rather than by the "average, normal or dominant condition of production" as in any other sector.

This distortion produces differential rent (DR), given by the difference of MV and the IV of the product of all those lands of better quality. That is, those owners whose land product has an IV lower than the MV will be getting extra surplus value, the amount of it depending on the difference between MV and their IV. (7)

Capital cannot flow into lands of equal fertility and location since they do not exist. Moreover, those capitals that flow into the better lands meet the barrier of landed property and forego the extra surplus value in the form of rent. For Fine, the result of this is not only the creation of rent (DR), but a distortion in the formation of MV as well (Fine, B. (1979) p. 12).

The above presentation has been restricted to what is called differential rent I (DRI); it ignores the existence of different applications of capital into lands of different qualities, which is the origin of differential rent II (DRII). Ignoring the differences in land quality, Fine argues that, as for industrial sectors, the determination of "normal capital" is synonymous with the determination of market value. Hence, those lands where more capital is invested or a more productive method of production is applied will be reporting DRII.

There is, however, a problem for the determination of DR when both DRI and DRII are put together. When defining DRI, equal applications of capitals into lands of different qualities were assumed; and when defining DRII, lands of equal fertility were supposed to exist. However, DR is not merely the sum of DRI and DRII, and so two problems arise when trying to integrate them. For DRI there is a problem of determining the worst land in the presence of unequal applications of capital (DRII); some lands may be worse for one level of investment, but not for another level. For DRII there is the problem of determining the normal level of investment in the presence of differing lands (DRI); some capitals may be normal for some types of land, other capitals normal for other types. This raises the question of whether the MV should be determined by the IV of some plot of land, or whether it may be determined by some part of capital on land. So, an aspect of the aggregation-dissaggregation question is present again in the theory of MV.

As a way of solving the simultaneous determination of worst land and normal capital in agriculture, Fine proposes a dynamic approach, where the interaction between rent and capital accumulation is considered. (8)

Although his solution may be valid for the discussion of the effects of land property on capital accumulation -as indeed Fine intends- it leaves undetermined the formation of the agricultural commodity's MV. What can be argued is that, according to Fine, the existence of lands of different qualities, together with their ownership, give to this MV a level over and above what it would have been if agricultural production were carried out as in any other sector. The distortion gives rise to differential rent or a "false social or market value" for agricultural products.

A. Bartra is more precise about how DR is fixed. He, however, rules out DRII by assuming implicitly that the worst methods of production are applied to the worst lands.

Bartra takes as his point of departure the characteristics of land: it is a scarce, non-produced mean of production of different qualities and locations. This allows him, contrary to Fine, to say that DR will exist under capitalism independently of who owns the land: landlords, capitalists or even the State. This is so because the above features make land "naturally monopolizable", allowing their owners to get an extra-payment when selling their agricultural production (Bartra, A. (1979) pp. 52 and 62-63).

Bartra confines his discussion of rent to the distortions of the formation of the agricultural commodity's price of production or, in his own terms, agricultural regulating market price (RMP). It can be said then that he implicitly takes rent as only affecting the agricultural commodity's price and not its MV.

Bartra argues that if agriculture's RMP was to be formed as in any other (industrial) sector, i.e. by the average conditions of production, the units producing under the worst lands will be getting less than the average profit. These reduced profits will not disappear by improving the method of production since, as opposed to industry, land quality imposes limits to increases in productivity. So, if the agricultural output's RMP was to be settled by the normal conditions of production, investment in the worst lands will be discouraged, provoking an imbalance in the agricultural commodity's market. Hence, it is necessary even for the worst lands to produce the average rate of profit. The agricultural commodity's RMP will therefore be settled by the individual price of production of the worst land whose product is necessary for covering demand. On this basis, Bartra argues that the level of DR is defined by the difference between the sum of all individual prices of production and the total (actual) price (RMP); the latter given by applying the individual price of production of the worst land in use to the remaining lands' product. (Ibidem. pp. 56-59).

For Bartra this peculiarity provokes a favourable transfer of value to agriculture, giving rise to an unequal exchange in the strict sense. This is so because this sector can get a mass of surplus value over and above what it would be getting if its price of production was formed as any other sector. He adds that this exceptional surplus value transfer to agriculture is independent of this sector's organic composition of capital (OCC) relative to the economy's average. That is, agriculture avoids the process whereby the average rate of profit is brought about and this is not conditioned by OCC differentials. This argument has an implicit assumption: that the (economy's) average rate of profit is settled by competition between sectors other than agriculture, and only then is applied to the worst land in use. As a result, the agricultural price of production (RMP) is settled. The reasons of why this is the case are, however, obscure in Bartra's text. (ibidem., pp. 68-70).

This notion of price can be taken to be what Itoh calls the market price of production (Itoh, M. op.cit. pp. 109-111) because for Bartra it is defined by both the need to satisfy social demand for agricultural products, and the requirement that all capitals must get the average rate of profit, independently of land quality differentials.

The question that neither Bartra nor Itoh has an answer for is that concerning the level of social demand, which is required for determining the worst land in use and hence, the level of DR. That is, a theory of how RMPs or market prices of production are formed is lacking. (9) This is a general problem in Classical Economics, and it is more so in the Marxist School since Marx himself introduces "monopoly power" considerations in his propositions about the formation of MV and rent.

This leads me to discuss another type of extra-payment for agricultural production: absolute rent (AR), which comes from the setting of the agricultural commodity's "price" over and above its "price of production". Marx's writings contain two possible interpretations of the former: it can be considered as a monopoly price, or as having an upper limit given by competition. This has caused antagonistic views in the literature.

Some authors as Meghnad Desai and Kostas Vergopoulos follow the first notion of AR, whereas Ben Fine and Armando Bartra in a sense reject it. According to Fine, this asks for the inclusion of the "arbitrary" or "imperfect" influences of supply and demand. (10) Bartra and Fine, however, take different paths in arguing that agricultural price does have a well defined upper limit. By contrast, this discussion is irrelevant for Desai, since he introduces AR a priori, the existence and level of it being subject to empirical analyses.

As Bartra points out, Marx gives two different, independent and even contradictory propositions about the implications of landownership in the formation of agricultural MP. These are, first, that it makes this price settle above the price of production; or, second, that it prevents the formation of the price of production, agricultural market price having as an upper limit this sector's MV.

Bartra takes the first propostion as the valid one and introduces additional considerations for fixing the limit of agriculture's MP. Fine, by contrast, follows the second view.

According to Bartra, the first notion of AR comes out of Marx's argument that takes as its point of departure landlords' ownership, together with the need to use lands of bad quality for satisfying social demand. These features allow landlords to ask for a rent, even those owning the worst lands needed (i.e. those lands with no DR), making the agricultural MP settle above price of production. For Bartra, if matters are left here as in Marx's texts, agriculture's MP will be a monopoly price, fixed by the imperfect operation of supply and demand and independent of this sector's MV and relative OCC (Bartra, A., op. cit. pp. 90-91).

Bartra follows this first notion, but fixes agricultural MP, arguing that it is given by the price of production of the better unused lands, which are supposed to be less productive than the worst lands in use.

What he does in order to fix the agricultural commodity's MP in this way is to assume competition between landowners and introduce supply and demand considerations. He argues that when the AR to be paid for the use of the worst lands makes agricultural MP settle over and above what will be the price of production of the non-cultivated better land, this land could be used, yielding an AR for its owner and expanding the supply of the agricultural commodity. However, if demand is fixed, the rise of supply will provoke a downward pressure to agricultural MP up to the point where it equals the price of production of the lands that were not under cultivation. The initial conditions will be present again, where these latter lands render neither DR, nor AR. As a result, AR will be within the difference between the price of production of the worst lands under cultivation and the price of production of the immediatly less productive lands that are temporarily cultivated. (Ibidem., pp. 104-105).

With this argumentation Bartra can consider DR and AR together and argue that rent will exist independently of who owns the land: landlords or agrarian capitalists. This is so because it contains the possibility of the former receiving a rent even for the use of the (marginal) worst land.

Contrary to Bartra, Fine takes Marx's second proposition on AR: that landlords prevent the formation of agricultural price of production. He says that as for the case of DRII in its pure form, the appropriate abstraction to be made for the treatment of AR is unlimited lands of equal quality and, hence, to focus on unequal applications of capital to lands of equal quality. With this basis he uses the notions of extended reproduction and expanded reproduction, identifying the former with the movement of capital into new lands where agriculture's OCC remains constant and calling this process extensive cultivation, whereas the latter comes from the application of more capital to lands already in use or intensive cultivation.

He then backs Marx's argument that the agricultural MP has as its upper limit its MV saying that:

> ...the creation of surplus profits that are the basis for AR come from the extension of capital onto new lands rather than the intensive cultivation of existing lands which would form the basis for surplus profits and DR.II. AR cannot rise above the DR.II associated with the surplus profits of intensive cultivation of existing lands, for otherwise intensive cultivation would take place at the expense of the extensive. Moreover, because DR.II measures the surplus profitability of intensive accumulation, that of a rising OCC, the surplus value produced in agriculture through extensive cultivation corresponds precisely to the difference between value and price of production in that sector (ibidem. pp. 28-29).

The problem with this appealing proposition is that it ignores DRI. However, DRI can be introduced by assuming that the worst land in use corresponds to the lowest level of capital investment, and that the new lands have even less quality. This needs a "marginal" approach instead of Fine's "global" one. That is, the worst lands in use are, under the above assumption, the ones where intensive cultivation is possible, whereas Fine's abstraction of DRI allows him to take all lands in use as a whole in order to connect agriculture and industry (and hence competition) by relative OCC arguments:

> We have shown that the movement onto new land, the relative underdevelopment of agriculture, and a low OCC in agriculture are all conditions for the existence of AR (Ibidem., p. 30).

The assumption that the worst land in use is the one where less capital is invested invalidates Fine's latter two conditions. This is so because if the notions of intensive-extensive cultivation are introduced, one has to refer to the "individual OCC" of the worst land in use in order to compare it with the profitability of the new lands, hence the low (average) agricultural OCC is no longer a condition for the existence of AR. (11)

With the above assumption the definition of AR gets near to Bartra's notion of AR as being fixed by the price of production that would be charged if new lands (less productive than the worst lands in use) were under cultivation.

The opposing views about the theory of ground rent are the consequence of the problems implied by the aggregation-dissaggregation question. In order to capture Marx's limit of AR as the difference between the agricultural MV and its corresponding price of production, it is necessary to ignore land quality differentials as Fine does. On the other hand, when taking as the point of departure the heterogeneous and scarce characteristics of land, one is forced to ignore DR II and/or to assume that less fertile lands are the ones where less capital is invested, as Bartra does.

Furthermore, if one follows this latter author's initial conditions, rent will be paid independently of who owns the land: landlords or agrarian capitalists. This approach, however, asks for supply and demand considerations, whose levels remain undetermined. Fine's proposition does not require them, but his construction is confined to the case of landlords. (12)

The preceding review shows that the theory of rent is open-ended, even when ignoring the absence in Marxian economics of a theory of the market i.e., of how MVs and MP are formed. Instead of a general theory of rent there are several versions, depending on the object of a particular author: Fine's purpose is thus to demonstrate that Marx's original theory is consistent with his propositions about the hindrance to capital accumulation imposed by the landlord class; while Bartra is concerned with showing that the bases of rent are the natural and scarce qualities of land, which allow their owners to receive a rent, even for the case when agrarian capitalists own the land, Desai's object is to produce the basic ingredients for a theory of monopoly pricing within a value-price transformation schema.

These divergent objectives determine how the forming elements of an economic system are introduced or, what is the same, the selection of a particular aggregation-disaggregation criterion and, as a consequence, how competition is conceived. Accordingly, divergent conclusions about who or which sector pays rent arise. (13)

It has now become apparent, moreover, that the divergent interpretations have their own limitations: Fine's version has problems with the determination of agriculture's MV and does not integrate DRI with AR; Bartra ignores both the formation of agricultural MV and DRII and leaves open the determination of the agricultural price of production and/or the worst land in use in as much as the economy's average rate of profit and the level of demand are undetermined in his theory. Finally, Desai leaves out the discussion of how agricultural MV is formed and concentrates on AR in a two-sector two-commodity model of value-price of production determination.

III. The Peasant Economy, rent and the exchange relations of a heterogeneous agricultural sector.

As well as rent, there is another feature of a heterogeneous agricultural sector that has to be taken into account in the analysis of its exchange relations: the existence of non-capitalist, non-landlord productive agricultural units side by side with entrepreneurial farms in a capitalist, less developed economy. This is so because the coexistence of these two forms of production is a fact of contemporary agrarian structures and because non-capitalist, peasant farms, although domestic units of production and consumption, are involved in market (capitalist) transactions. (14)

The introduction of the peasant, family based economy into the analysis of exchange is quite recent and there are few authors in the Marxian economics tradition who do so in a systematic way. Furthermore, there are even fewer authors who link the question of a heterogeneous agricultural sector's exchange relations with rent. (15)

This latter group is represented by Armando Bartra, Mario Margulis and Kostas Vergopoulos. However, they have differing and even antagonistic views about the effects on agricultural exchange relations (hence on rent) that the existence of the peasant economy in an otherwise capitalist economic system gives rise to. (16)

Any attempt to introduce the peasant economy into the analysis of value formation of an otherwise capitalist, market economy, faces the aggregation-disaggregation question. This is because the peasant economy, while producing a particular use value, an agricultural commodity, does so in a form which differs from that characteristic of the remaining productive components of the economy.

The problem deepens when the peasant economy is part of an agricultural sector composed of capitalist-entrepreneurial units as well, and/or when both types of farms are taken to produce a homogeneous, agricultural, commodity. (17) In this case one has to decide between two possibilities of conceiving agricultural production: as arising from two separate portions, peasant and capitalist agriculture, or as coming from a heterogeneous agricultural sector. The former procedure emphasizes the divergence in the conditions of production between the two types of farms, using it as an implicit disaggregation criterion, whereas the latter follows the classical procedure of dividing an economic system in terms of the use value produced, independently of the conditions of production prevailing within each sector.

Both alternatives have problems. The first one complicates the global analysis of the effects of the peasant economy on rent and hence, on agricultural exchange relations as a whole. The problem with the second conception is that it diminishes the significance of the fact that peasant farms produce under different conditions of production in a more basic way than those existing amongst the capitalistic units of a particular and purely capitalistic sector: the peasant economy is a form of production distinct from a capitalist enterprise, whose peculiarities go beyond productivity differentials.

A typical contemporary peasant farm, as well as producing for the market is a consumption-domestic unit using family labour in its productive activities, whose objective is the subsistence of the family and hence the reproduction of the unit as such. So, a peasant unit will remain producing as long as the proceeds of this activity cover its costs of production, given by the expenditure in input and the income required for the subsistence of the family. (18) This feature contrasts with the conditions needed for a typical capitalist unit to produce: the earning of a profit, i.e. an income over and above its costs of production or total capital advanced.

Even the most systematic theoretical studies of the peasant economy's exchange relations do not treat the aggregation-disaggregation problem with rigour or just ignore it, since it is either assumed that agriculture is composed solely of peasant producers or a comparison between two hypothetical situations is made: one where agriculture is purely capitalist and the other when it is purely peasant. (19)

A basic proposition argued veral contemporary authors is that peasant agriculture does face unfavourable exchange relations in the processes of buying and selling commodities. The argument can be traced to Marx's **Capital**. He defines there a peasant as being the free owner of his land, which appears as his principal instrument of production, the indispensable field of employment for his labour and his capital, adding that the value of its product will generally be higher than its price of production because of the preponderant element of living labour in this form of production (Marx, K. (1977) Vol III, pp. 804-805).

Marx considers the situation where agricultural production is carried out largely for direct subsistence and by the majority of the population of a country, and argues that in this case, agricultural regulating market price will reach its value only under extraordinary circumstances:

> For the peasant owning a parcel, the limit of exploitation is not set by the average profit of capital, in so far as he is a small capitalist, nor, on the other hand, by the necessity of rent, in so far as he is a landowner. The absolute limit of him as a small capitalist is no more than the wages he pays to himself, after deducting its actual costs. So long as the price of the product covers these wages, he will cultivate his land and often at wages down to a physical minimum... For

> the peasant holder to cultivate his land, it is therefore not necessary as under the normal capitalist mode of production, that the market price of agricultural products rise high enough to afford him the average profit, and still less a fixed excess above the average profit in the form of rent. It is not necessary, therefore, that the market price rise either up to the value or the price of production of his product. This is one of the reasons why grain prices are lower in countries with predominant small peasant landownership than in countries with capitalist mode of production (Marx, K. _ibidem,_ pp. 805-806).

Marx argues that when the peasant product goes beyond its community, i.e. to the capitalist market, it acquires the commodity form (20) and adds some elements that clarify his view on the determination of the peasant commodity's MV:

> One portion of the surplus labour of the peasants, who work under the least favourable conditions, is bestowed gratis upon society and does not at all enter into the regulation of prices of production or to the creation of value in general (_ibidem_, p.806).

This will be the case if the peasant commodity's MV is determined by the IV of those units producing under the average conditions of production or by the "socially necessary labour" for producing it.

If we consider his theory of rent, it can be said that, for Marx, the agricultural commodity's MV will be lower when it is produced exclusively by peasant forms than would be in the case with capitalist ones. To this, his proposition concerning about the formation of the agricultural commodity's price (MP) can be added, to say that, according to him, an agricultural sector formed by peasant farms will get a MP below the one that would correspond to a purely capitalist agriculture.

There is, however, a feature in these propositions which is important for my discussion: Marx object is to identify how the agricultural MV and MP are settled under "the peasant regime of production", i.e. he is concerned with an early stage of capitalist development. If one considers that under contemporary agriculture, peasant as well as capitalist farms not only coexist under a dominant capitalist regime but both produce for the market, his premises are no longer valid. Furthermore, under these new considerations, his conclusion can be contradicted. If, for example, both types of producers are included together in the analysis of exchange, it may be the case that the average rate of profit and rent requirements for the capitalist-landlord portion of agriculture make the agricultural commodity's price settled over and above the peasant economy's "IV" or "MV".

What can be recovered from Marx is his proposition that, as opposed to capitalist agriculture, peasant farms will remain involved in production even when their proceeds are insufficient to cover their costs of production. In fact, this is generally the point of departure of contemporary literature, where different ways of analysing agricultural value and price formation are proposed.

The propositions of Vergopoulos on the peasant economy's exchange relations do not contradict the ones raised by Marx. The difference is that the former scholar deals with contemporary capitalist countries, where urban capitalism dominates over agriculture. Notwithstanding that both consider this sector as being formed predominately by peasant, family based farms, for Vergopoulos these producers are deeply involved in market transactions.

Vergopoulos argues that capitalist development has witnessed during the present century the creation and re-creation of family based farms in both industrialized and semi-industrialized countries. (21) Accordingly, his theoretical propositions take agriculture as being formed by peasant producers alone.

For him, this type of agrarian structure has been created for the convenience of urban capitalism; with it, not only the payment of rent is avoided, but agricultural profits as well. Furthermore, peasant producers' rationality and/or their production conditions allow the settlement of low agricultural prices which are rooted in the low payment for their (family) labour:

> ...agriculture can only obtain ground rent by manipulating the rate of land supply. However, this manipulation is only possible in an economy of large estates, where agriculture actively participates in the formation of agricultural prices. On the other hand, in the framework of contemporary family farming, where the peasant is worker, entrepreneur and landowner at the same time, agricultural prices in general are 'suffered or imposed'... It is evident therefore, that the peasant who owns no land reserves is not able to obtain a ground rent income. Equally, he cannot obtain an entrepreneur's income, that is, a profit; but he is nevertheless able to engage in production, even if there is no profit and no rent, as long as he receives a payment comparable with that of wage workers. We must note that both the profit and the rent not realized, constituting 'failures of earnings' for family farming, are already positive gains for the urban economy. Family farming thus provides contemporary society

> with agricultural products at their 'cost price' (which includes the strictly necessary remuneration of labour), as well as putting the totality of his own surplus labour, which would normally correspond to profit and ground rent, at the disposal of the urban economy ... [So, it is] this family farming which constitutes a necessary mechanism for the accumulation of urban capital and the development of capitalism. (Vergopoulos, K. (1978) pp. 446-447).

Vergopoulos is against those who explain the low income of peasants as being the consequence of their low productivity. He does so on two grounds: a theoretical and an empirical one. He says that both phenomena have to be explained by referring to something which is outside the price system and this is not done by those who hold this view (ibidem. pp. 448-449), and shows that for the case of Greece, increases of agricultural productivity have been given in a context of low agricultural prices, i.e. of low payment for agricultural labour and capital (ibidem. pp. 451-454).

However, Vergopoulos does not present a proposal for the analysis of peasant productivity and income by referring to a framework outside the price system. (22) Furthermore, his empirical indirect proof of his main thesis (agricultural products being underpaid) is based on data given in observed, price terms.

There are other problematic questions in Vergopoulos's text since, as well as taking only the case where agriculture is formed exclusively by peasant or family farms, he does not discuss how the peasant commodity's MV and MP are formed. Nevertheless, his thesis that family farming transfers its surplus labour to the urban economy (ibidem. p. 446) can be interpreted as implying that agricultural MV is greater than its MP.

Vergopoulos does not tell us how agricultural prices are "suffered or imposed" on family farming. But he insinuates that the State does so when saying that in countries such as Greece, where the State performs a prominent economic role, it takes charge of the domestic market, completes it and often takes on its function (ibidem., pp. 455-456).

Vergopoulos tries to give to his reasonings empirical support. However he does so, in an indirect way, using observed price categories and assuming that the agricultural sector of Greece is formed by peasant producers alone. So, he does not maintain a clearcut distinction of value (surplus labour) and price categories, and ignores the possibility of the existence of a heterogeneous and/or polarized agricultural sector, where the peasant economy coexists with capitalist farms. In other words, Vergopoulos eludes the problems of the formation of the MV of a commodity produced under family based units as well as the aggregation-disaggregation question. (23)

Vergopoulos uses time series data for Greece -which show greater increases in agricultural labour productivity than that of urban labour- as support for his view that the observed low level of farm prices is not rooted in the lower productivity of agricultural labour. This, however, may not be conclusive since he uses aggregated data. Even in the case where all farms were family based, it may be that only a portion of them, the "farmer" one, explains these trends. That is to say, it might be the case that the Greek agricultural sector is composed of two types of family plots: farmer and peasant units, the former being characterized by increasing productivity, due to mechanization and incorporation of technological innovations, and the latter by stagnant production conditions.

It is not my concern here to consider whether or not this is the case for the Greek agricultural sector. The relevant conclusion from the previous review is the need to conceive agriculture as a heterogeneous sector and, hence, to tackle the aggregation-disaggregation question, in order to analyse its exchange relations on a sound basis. This is so because the coexistence of peasant and entrepreneurial agricultural producers is a fact of many LDCs, which are supposed to be Vergopoulos' main subject matter.

Contrary to Vergopoulos, Margulis conceives the agricultural sector as a heterogeneous one, formed by peasant and capitalist producers, and analyses the formation of this sector's commodity social or MV. Furthermore, he argues that the peasant portion is less efficient or productive than its capitalist counterpart.

In this latter respect, for Margulis it is evident that, due to the concentration of means of production and technology in the capitalist section of agriculture, its efficiency and labour productivity are much greater than the prevailing ones in the peasant portion. So, the cost of production of the former is lower. He adds that this happens when the ruling wage is imputed to peasant family labour (Margulis, M. (1979) p. 34).

Margulis does not specify whether these categories are defined in value or in price terms, but it is possible to interpret his proposition in strictly value terms saying that for him "the IV" of the peasant commodity is greater than the corresponding one of capitalist agriculture. That is, assuming no differences between peasant plots and between capitalist farms, and that all of them produce the same use value, Margulis' hypothesis can be interpreted as saying that the labour content of the agricultural commodity obtained under peasant production conditions is greater than its labour content when produced by capitalist agriculture.

Following Marx's technical theory of MV, Margulis adds that there are three cases of MV determination in agriculture: i) If capitalist agriculture produces the majority of output, MV will be given by its average production conditions, by the socially necessary labour time of entrepreneurial agricultural production; ii) If the peasant portion produces the greatest volume of agricultural supply, MV will then be determined by its average production conditions, and iii) If agricultural output is supplied by the two types of producers in similar proportions, the socially necessary labour time (or MV) will be determined by those units producing under average conditions. These farms could be the less developed capitalist units or the most developed peasant (or semi-capitalist) units (ibidem, pp. 335-36).

Margulis's analysis of value transfers implied by these three possibilities assumes that MP is "based" on MV (ibidem. p. 36), which, in practice, is the same as saying that values are proportional to prices. This assumption and the one related to the peasant vs. the capitalist commodity's "IV" , do have definitive consequences for his conclusions about agricultural exchange relations.

Case (i) implies that the peasant portion will sell its output below its "IV". If case (ii) applies, then extraordinary (or rather extra-surplus) value will be accruing to capitalist agriculture , whereas case (iii) allows the most efficient capitalist producers to get extra-surplus value, and implies that the less productive (peasant) units will be selling at prices below value.

Margulis adds that when some units sell at a MV below their IV, what happens is not a value extraction from them, as some authors argue, but that part of these units' labour is bestowed gratis upon society.

So, for this author, the holding of cases (i) and (iii) does not mean that peasant producers are subject to value transfers, but, rather, that part of their labour expended in production is not valued. According to Margulis there are two reasons for this to be the valid interpretation. The first one is theoretical and takes into account the technical theory of MV, which says that a commodity's MV is given by the socially necesary labour time for producing it or by the average conditions of production prevailing in the sector in question. This process does not take into account the divergences on labour qualities and hence ignores the low labour productivity of peasant units. The second reason has to do with the absence of a concrete form of transfer within a particular sector: those units which produce the same use value or commodity do not trade with each other (ibidem, pp. 42-46).

These propositions may be valid as long as the analysis either assumes that values are proportional to prices or if it is confined to the "value domain", i.e. when ignoring the transformation of values into prices and/or from the effects of demand and of DR and, in general, when the analysis ignores circulation and exchange.

Margulis, however, does not treat these questions with rigour. At one point he mentions that actual value transfers from agriculture to industry will only be present when the former's MV is greater than its corresponding MP (ibidem. note 48, p. 41 and pp. 54-55), something that denies his proportionality assumption. Nevertheless and later on, in his analysis of rent, he implicitly readopts this assumption in a modified way when suggesting that increases of the agricultural commodity's MV due to the presence of peasant producers have a proportional positive effect on agricultural MP.

In fact, Margulis asserts that the coexistence of peasant producers in an otherwise capitalist agriculture and economic system, which for him is the same as saying that the existence of low productive units in agriculture (with high IV):

> ... does increase the level of social [market] value of agricultural commodities, meaning that a good portion or all of capitalist agriculture's surplus profits [surplus-surplus value] are generated within agriculture. Furthermore, the productivity differentials [implied by the existence of peasant producers] contributes to the setting of guaranteed prices [fixed by the government in some products], something that makes them greater than the corresponding social value. To this, the presence of differential rent I is added, and both DR I and guaranteed prices will surely act against the formation of the average rate of profit, which would have implied surplus transfer from agriculture to industry. There are hence three effects giving rise to the same consequence: an increase in the prices of agricultural products. (ibidem., p. 88, own translation).

From these propositions Margulis concludes that agrarian capitalists are interested in maintaining productivity differentials within agriculture since the permanence of low productivity (peasant) farms will mean for them higher profits, and that the existence of peasant producers is against the interests of industrial capital since it accounts for a reduction of their profits (ibidem., pp. 88-89).

So, Margulis's analysis and conclusions are opposed to Vergopoulos'. The way these authors conceive a contemporary agricultural sector is one of the bases for explaining their divergences. It may be argued that Margulis's point of view is superior since he analyses the case of a heterogeneous agricultural sector where peasant producers coexist with agrarian capitalists. Nevertheless there are deep problems in his reasoning.

When dealing with the overall effects of low productivity peasant farms on agricultural exchange relations, he forgets the three cases of MV formation proposed before. It is clear from the above quotation, where he synthesizes his analysis, that he just takes the case of MV formation where peasant farms produce the majority of agricultural output and hence, determine its level.

Margulis may have taken this case by singling out implicitly for his purposes those agricultural commodities produced predominantly by peasant plots. If this is so, however, he is abandoning his original scheme of analysis, where he defines the agricultural sector as producing a homogeneous commodity. In fact, Margulis continuously goes from this definition to the level where different agricultural commodities are considered, ignoring the disaggregation problems involved.

If one follows the assumption that there is only one agricultural commodity and applies Margulis's reasoning to the case where capitalist agriculture fixes its MV, it may be that this situation is in accordance with the interests of industrial capital. This is so because peasant producers' IV, being greater than agricultural MV, will mean non-valorisation of at least part of peasant labour in the commodities bought by industry.

Even when considering the case used by Margulis as being the general one and relaxing it, several problems remain. He argues that the upward pressure upon agricultural MV provoked by the peasant portion will have a corresponding positive effect on agricultural MP (or, in the Mexican situation, on guaranteed prices), putting forward two different reasons for this to be the case. The first one has to do with divergencies in the costs of production amongst peasant and capitalist producers. For Margulis, lower productivity of peasant plots means not only higher IV, but higher "cost of production", which is for him above capitalist agriculture's "price of production" (given by costs plus a mark-up formed by the rate of profit and rent).

Ignoring the question of value-price proportionality and whatever the validity of his arguments about the effects of peasantry's lower productivity may be, there are no reasons why peasants' costs of production must lie above capitalists' price of production unless it is argued that productivity differentials are high enough for this to be the case. But this way out must be subject to an empirical validation, something that is not pursued by Margulis. So, the original proposition that the upward pressure upon agricultural MV is translated into higher agricultural prices, remains unfounded.

Margulis's second reason for this to be valid is to argue that, at least for the case of the Mexican economy, peasant producers' political pressure accounts for higher agricultural MP by setting guaranteed prices high enough to cover their costs of production. Following Margulis's reasoning, this price will be then equal to agriculture's MV. As well as the imposition of an argument from outside the original theoretical scheme, where peasants' pressure is considered at the same level as their production conditions, the question of peasantry's political power and why its costs of production are higher than capitalist's prices of production, remains.

The arbitrary character of imposing a political argument on the study of exchange based on the LTV can be seen when considering that Margulis's argument is equivalent but completely antagonistic to Vergopoulos's proposition about the role of the State in reducing agricultural prices.

The problems already detected can be extended by analysing other authors' propositions about a heterogeneous agricultural sector's exchange relations.

One of them is Gómez Oliver who follows Roger Bartra's analysis and, like Margulis, fail to treat the transformation of values into prices. (24)

Gómez Oliver and Margulis take for granted that the lower productivity of the peasant portion of agriculture with respect to its capitalist counterpart, means that peasantry's IV is over and above that of capitalist agriculture. Nevertheless, the former author says that overall capitalist competition means that agricultural MP is determined by the price of production of capitalist agriculture, which in turn, is based on the "value" or "IV" of the commodity produced under capitalist conditions. Since this value is below peasant producers' IV, there will be value transfers from them to the capitalist portion. According to Gómez Oliver, the MP of agriculture is fixed by capitalist farms' price of production because if it were higher, the existence of surplus profits accruing to agrarian capitalists will motivate the investment in agriculture of capitals from other sectors, increasing agricultural supply and pressing downward its MP.

Apart from the criticism Margulis has about the interpretation that MV and IV divergences within a sector do imply value transfers, the basis of Gomez Oliver's reasoning is similar to his own. The divergence is that whereas the latter author considers that agricultural MV and MP are always settled by the capitalist protion, independently of which of the two existing types of farming produces the majority of the output supplied, the former author assumes implicitly that peasant fixation of MV and MP is the general case. Their opposite views of a heterogeneous agriculture's exchange relations then follow.

Yet another divergent analysis of the exchange relations of a heterogeneous agricultural sector is the one presented by Armando Bartra, in a book published after his previously discussed article on rent. Although the former is a more detailed study of peasants' functionality under contemporary capitalism of LDCs, his propositions on agricultural exchange relations are based on an analysis that assumes that this type of farming is the only form of agricultural production (25) In spite of this, the propositions of Bartra are relevant because they can be integrated to his interpretation of ground rent and because he is one of the very few authors who includes in his study hypotheses about peasantry's exchange relations when buying commodities in the market. (26)

For Bartra, the peculiarities of peasant production give rise to the phenomenon of unfavourable exchange that producers of this type face in their involvement in an otherwise capitalist system. In particular, the existence of production and consumption units such as the peasant farms, which are not even formally capitalistic, opens the possibility for them to sell their output at a price below its "price of production" and to buy commodities at prices above the corresponding prices of production. This is so because there is only one condition for them to remain involved in production and exchange with the remaining capitalist economy: the reproduction of the units as such.

> ... the unequal exchange between peasant production and capital is displayed by the fact that the peasant as a buyer and a seller can be subject to exchange relations that a capitalist entrepreneur will not be involved in. The origin of this peculiarity is that peasants, as producers, cannot condition their exchanges to the obtaining of a profit since their labour process is the condition of subsistence and their means of production have not acquired the form of 'free capital' [peasantry's means of production cannot be transferred to other sectors]... The basis of this quantitative disproportion of exchange is the qualitative divergence of production processes (ibidem, pp. 86-87, own translation).

According to Bartra, the peculiarities of peasant production allow the setting of agricultural MP around its cost of production and not the price of production as in any other (purely capitalist) sector. That is, the lower limit of the agricultural commodity's MP is the cost of producing it, which does not include any profit, and for him, the setting of agricultural commodity's MP around the cost of producing it is the general case when it is obtained from peasant economy. So:

> If the selling price of these commodities is systematically lower than the price of production and tends to be fixed around the cost price, capital has at its disposal an extraordinary value transfer, whose measure is the difference between the cost and the price of production. (Bartra, A., ibidem., p. 95, own translation).

This transfer is extraordinary because it is different from the "normal" one arising when values (MV) are transformed into prices of production and provoked by organic composition of capital (OCC) differentials between (purely capitalist) sectors. In this case and according to the classical theory of prices, MPs fluctuate around natural prices or prices of production (ibidem. pp. 90-91).

Bartra introduces value considerations tio analyse the complete phenomenon of peasant exchange relations when peasants sell their output. Following Marx's technical theory of MV and assuming that peasants are the only agricultural producers, Bartra takes this sector's MV as given by the socially necessary labour time required for producing the agricultural commodity. He then argues that since in general, the OCC of agriculture is lower than the economy's average, the agricultural price of production will be lower than the corresponding MV. (ibidem., p. 96).

He then combines this conclusión with the previous result to argue that:

> ... as an enterprise, the peasant unit would have to get from the whole economy's surplus value a portion defined by the average rate of profit, as long as it does not appropriate this proportion, the peasant unit as an enterprise gives up the difference between the cost and the price of production; but when conceived as a direct producer, the peasant creates a well defined mass of value and the magnitude of what he is giving up as an exploited labourer is the difference between this value and his income. Since in essence the peasant unit is not a peculiar enterprise which surrenders its profit, but a unit of exploited labour that gives up its surplus, we can assert that the real measure of expropriated value to the peasant is not just the difference between the price of production and the cost, but it has a higher magnitude: the difference between the cost and the value (Ibidem., p. 97 own translation).

So, whereas for Margulis a peasant presence in agricultural production pushes upward both agricultural MV and MP, for Bartra a peasant agricultural sector sells its output at its cost of production, which is lower than what would have been its price of production; this latter price being in turn lower than its corresponding MV. In summary and according to Bartra, peasant production will make agricultural MP below what it would have been if this production were conducted under capitalist conditions.

With this latter argument I can relate, as follows, Bartra's analysis of peasantry's exchange relations in the selling of its output with his propositions about the effects of this type of producers on the payment of rent to an agricultural sector composed also by capitalist units: the presence of peasant producers owning the worst lands and producing under the worst conditions in an otherwise capitalist agriculture, will allow for the setting of the agricultural commodity's MP below what it would have been if the same level of production were conducted exclusively under capitalist farms. This is so because, according to him, peasant production is needed to cover demand and will account for a reduction in rent payment or even for a "rent reversal", i.e. for the selling of agricultural commodities at prices which do not include a rent payment to agrarian capitalists.

Whether the latter is the general case or not is undetermined in Bartra's analysis, since it depends on the relative weight of peasant production in the supply of the agricultural commodity.

Aside from the empirical study required to settle this lack of determination, what is important to raise now are the differing conclusions of Bartra and Margulis. The greater the proportion of peasant production in agricultural supply means, for the former, greater downward pressure to this sector's commodity MP, and, for Margulis, a greater upward pressure upon it. So, the opposite views of these authors' remain when including capitalist agriculture in Bartra's reflection.

Bartra includes in his analysis the type of exchange relations the peasant economy faces when buying commodities from capitalist producers. He argues that this process is different to the one acting when capitalist units buy from each other. In this latter case the market or selling price of a commodity will fluctuate around its price of production, since both the capitalist buyer and the capitalist seller will be involved in exchange as producers as long as it allows them to get the average rate of profit.

According to Bartra this is not the case when demand comes from a non-capitalist buyer such as the peasant. This is so because this type of producer does not condition his (her) purchases to the earning of a profit. Rather, he buys from the capitalist in his search for the reproduction of his productive unit. So, a capitalist producer will be capable of selling his product to the peasant at a price higher than its price of production.

For Bartra this is the general case, having as a consequence a value transfer from the peasant to the capitalist, which is added to the transfer when the peasant producer sells his commodity. (27)

It has now become apparent that the inclusion of non-capitalist commodity producers in the analysis of exchange raises problems not solved in the literature, or not even formulated there. The general issue at stake is how to make such inclusion in a model of exchange that was constructed originally for a pure capitalist system. The way the agricultural sector is assumed to be formed when peasants are introduced, the assumptions about their relations and productive differentials with respect to capitalist units and the theoretical level at which the scholars conduct their reflections for studying the effects of peasant presence, have definite consequences on their conclusions about peasantry's "functionality" under capitalism. So, Marx and Bartra consider the peasant economy as forming the agricultural sector and conduct their analysis from peasant commodity's MV formation to agricultural MP. The basis for their study is peasantry's rationality, and they arrive at the hypothesis that this type of producer faces unfavourable exchange when peasant producers' behaviour is compared with capitalist rationality.

Vergopoulos agrees with Marx's contention that the agricultural commodity's price is lower when peasants produce it, because of their poverty and by no means their labour productivity. Vergopoulos, however, does not back it up rigorously and is opposed to other authors' view, particularly those who include agrarian capitalists in their analyses.

Vergopoulos, Gómez Oliver and Margulis in a sense take it that the actual agricultural price is settled from outside, in a more definite way than by peasantry's conditions of production, as Bartra and Marx do. Vergopoulos suggests that the State fixes it at a level lower than the one required for production to be carried out by capitalist farms. By contrast, Margulis maintains that peasant presence will make it higher, whereas Gomez Oliver argues that it is fixed by capitalist farms and that it will be lower than what it would have been if it were given by peasantry's conditions of production.

The reason for these divergences is that whereas Margulis and Gomez Oliver assume that the peasantry's cost of production and reproduction is higher than capitalist farms' price of prodcuction, for Vergopoulos and Bartra the difference is the opposite.

IV. Conclusion.

The preceding review shows that there is not a labour value theory of agricultural exchange and even less a general form of introducing the peasant economy into the labour theory of exchange. There are instead several theoretical views, where political arguments are sometimes added, leading to divergent and opposite conclusions about a heterogeneous agricultural sector's exchange relations. This is explained by the problems the LTV faces when connecting value analysis with observable prices and/or when going from "the abstract" to "the concrete", which is in turn affected by the way the constituent elements of an economic system are conceived and introduced into the study. In other words, the lack of a theory of how market values and prices are formed, and of a general, unambiguous criterion for dividing the economy, explain the antagonistic conclusions in the Neo-Marxist literature about the exchange relations of a heterogeneous agricultural sector. Furthermore, my analysis shows that even accepting one of the versions of the type of exchange the agricultural sector faces or selecting a combination of non-contradictory propositions, the direction of transfers implied by the features of a heterogeneous agriculture remaines undetermined.

In my view, these findings indicate that the pursuit of an integrated, eclectic or general theory is likely to be self-defeating. What I propose instead is an empirical approach, where the conclusions raised in the literature about the peasant economy's and a heterogeneous agricultural sector's exchange relations are designed as hypotheses, whose validity has to be analysed using data of a concrete situation.

I have shown elsewhere that this can be done within a static framework, by estimating sectoral values and comparing them with sectoral, observed prices. I have also put this proposal into practice using data of the Mexican Economy. An important result of this exercise is that, as long as family labour is included in the labour value calculations, the hypothesis stating that the peasant economy faces unfavourable exchange relations in the products' market has empirical foundations. This points to the plausability of the argument stating that the existence of peasant producers in an otherwise capitalist agriculture and LDC is "functional" to urban-industrial capital (cf. Yúnez-Naude, A. (1986)).

NOTES

(1) This criterion is the most commonly used in Marxian literature when dealing with the question on value formation in a system composed of several sectors. Cf. Makoto Itoh (1979), p. 104, Karl Marx (1977), Vol.III pp. 180-181, Ronald Meek (1973), pp. 179-182 and Michio Morishima (1973), p. 12.

(2) An example of the former is Ben Fine: "...Marx is less concerned with the average than with the normal' technique. The normal technique is socially established. It is often argued that the most (least) favourable technique forms the normal when there is excess supply (demand). This is incorrect and only explains the divergence of market price from price of production. For Marx, the establishment of the least or most favourable technique as the normal would depend upon specific historical circumstances connected to the relations of production within a sector ..." Fine, B (1979) p. 50. Whereas Itoh's view is as follows: "The notion of market-value should not be a merely static and technical definition of value [i.e. based entirely on the static combination of conditions of production], but it should be related to the dynamic of the market [i.e., it should consider the fluctuation of supply and demand in the market]. At the same time, market-value must be presented as the regulator of market prices through the fluctuations of the market". Itoh, M., op. cit., p. 107. Accordingly, Fine argues that the basis of "prices of production" are market values, whereas Itoh maintains that "prices of production" are prior to market values

(3) It is, however, a particular and simplified definition. The former because durable fixed capital is not included and the latter because constant and variable capital and surplus value are still in value terms. I have selected it because the general definition gives the same results on exchange relations between sectors, i.e. on the directions of transfers involved when values are transformed into prices of production, cf. Meghnad Desai (1979), pp. 57-93.

(4) What Arghiri Emmanuel considers in his propositions on international trade (which can be translated into internal exchange between sectors), is the immobility of labour between contries (sectors) as the source of "unequal exchange in the strict sence". This is so because that immobility allows for rates of surplus value to diverge internationally (sectorially). This line of argument is not to be taken here, not so much because of the theoretical problems involved, but because the main concern is to analyse the exchange relations of a sector that does not hire labour. Cf.

Emmanuel A. (1972) and for examples of the critiques to his theory: Bill Gibson (1980), Michel Kidron (1974) pp. 95-123, and the Appendices in Emmanuel, A., op. cit., discussion between the author and Charles Bettelheim.

(5) There is another proposition in the literature about the peasant economy's functionality: the production of cheap labour power. This function, as well as other mechanisms of surplus extraction such as credit and taxes will not be discussed here (cf. Armando Barta (1979 b), Carmen Diana Deere (1986), Luis Gómez Oliver (1978) pp. 714-717 and Arthur Lewis (1954) pp. 139-191.

(6) Cf. Armando Bartra, (1979a), Fine, B. (1979) and Itoh, M. (1979). Fine's article was subject to criticism by Michael Ball. Cf. Ball, M. and Fine, B. (1980) pp.304-331. The references to this debate will be left on footnotes since it is centred on the effects of rent on capital accumulation. Meghnad Desai (1978) proposes an analytical way of introducing rent into the Marxian theory of exchange. I will refer to it without further discussion because such a purely "logico-theoretical" approach is too problematic when observable phenomena, such as the permanence of peasant producers, are included. cf Antonio Yúnez-Naude (1986) pp. 54-60.

(7) Fine adds that the existence of extra or surplus surplus value is not itself an explanation for the specific existence of agricultural rent. For otherwise such rents would exist in all industries (sectors), just as surplus profits do (when different methods of production are used and/or different levels of capital are invested within the same sector). Nor are the natural conditions of differential productivity the source of rent. DR exists not because surplus surplus value exists, but because these are appropiated by the landlord rather than by the capitalist. (Fine, B., op. cit., p. 12). This proposition, as well as avoiding the introduction of scarcity considerations, implies that rent would disappear with the disappearance of landlords. This is explicitly rejected by Bartra (cf.Bartra, A. op. cit., p.52) and is implicit in Itoh's view (Itoh, M., op. cit., pp. 109-112).

(8) Fine, B. op.cit., pp. 18-21 and Yúnez-Naude, A, op. cit., pp. 37-39. Heinz Kurz, (1978) presents a Neo-ricardian theory of rent and separates DRI from DRII. See also Ball, M. and Fine, B. op.cit. pp.304-326.

(9) This applies in a sense to the propositions of Ball since he leaves the above determinations "to the circumstances".

(10) Cf. Bartra, A., op. cit., pp. 90-91, Desai, M. (1978), Fine, B. op. cit., pp. 25-26 and Vergopoulos, K. (1978) pp.446-447. Bartra's view is less consistent that Fine's since he introduces the notion of "social demand". In relation to the interpretation of AR these authors form part of the group of Marxian economists that follow strictly Marx's object to uncover what lies behind the appearance given by the market or observed prices in a capitalist society, hence dismissing its influences. There are other marxist economists like Makoto Itoh and Roman Rosdolsky who take into account the dynamics of the market (cf. Itoh, M. op. cit., pp. 107-112 and Rosdolsky, R. (1977) pp.88-94). Both views are present in Marx's writings and both have problems: the first one imposes limitations on a consistent interpretation of observable phenomena, whereas the latter faces the lack of a "Marxist" theory of market prices.

(11) Yet another line of criticism of Fine's dichotomization of DRI and DRII is presented by Ball. Cf. Ball, M. and Fine, B. op.cit. pp.309-310.

(12) There is still another way of introducing rent, which opens up the possibility of taking it as a deduction from necessary or living labour, as well as from surplus value. The reference is to Desai's formal proposition of including it into the value-price transformation schema, cf. Desai, M. (1978). There are some similarities between Ball's and Desai's analysis of rent since the former also considers the case where rent comes out from surplus value and takes landlord's monopoly power in his discussion of how agricultural MP is formed. Cf. Ball, M. and Fine, B. op.cit. pp 314-320.

(13) In particular, for Fine, it comes from surplus value created within agriculture, whereas for Bartra and Itoh and for the first two models of Desai, it comes from the surplus value produced by the whole economic system. Finally, according to Desai's third model it may come from a reduction of living labour income. Another example backing the argument that the theory of rent leads to more problems that answers is the debate between Ball and Fine (ibidem.)

(14) The coexistence of peasant and capitalist farms characterices the agrarian structures of Less Developed and/or Semi-industrialized countries like India and Mexico, and even more developed ones as Southern European countries. Although the information is not precise, there is evidence showing that the peasant economy does sell a considerable portion of its production; see for example, Amit Bhaduri (1983) for the case of India and CEPAL (1982) pp. 71, 100-103 and Paul Lamartine Yates (1979) pp.570-572 for Mexico.

(15) In his review of the literature on peasant exchange relations, Caballero explicitly separates the rent issue from the arguments on peasant unfavourable exchange arising from the LTV (Caballero, J.M. (1982) pp.1-5). I will show below that these two questions can be integrated, although giving rise to a problem related to the aggregation-dissagregation question.

(16) Cf. Bartra, A. (1979a) pp. 71-80 and (1979b), Mario Margulis (1979), pp. 83-90, Kostas Vergopoulos (1975) pp. 231-237 and (1978) pp.446-465.

(17) This problem is present in any attempt to include peasant producers in a representation of a capitalist economic system, independently of the theoretical framework adopted. An example is Ranis and Fei's dual sector growth model, where "traditional" agriculture is assumed to exist in a surplus labour economy and to disappear almost automatically when a "successful growth process" is supposed to begin (cf. Yunez-Naude, A. (1978) pp. 357-377). A similar problem is faced by Caballero's alternative approach (cf. below and note 19).

(18) A peasant farm may still continue producing even when its proceeds are below costs. In this case, however, its members have to seek aditional income such as offering temporarily their labour force in the market. Cf Deere, Carmen D. op.cit.

(19) This latter procedure is followed by the alternative approach of Caballero. As said before, it rules out the analysis of the effects on rent of peasant participation in the agricultural product's market. This may be why Caballero considers it as separated from the one that takes as the point of departure the labour theory of value. Cf. Caballero, J.M., op.cit. pp. 1-7.

(20) "What then is the position of independent handicraftsmen or peasants who employ no labourers and hence do not produce as capitalists? Either, as always in the case of peasants, they are producers of commodities and I buy the commodity from them" Marx, K., (1979) Part I, p. 407.

(21) Vergopoulos's approach and subject matter allow him to go to the extreme, arguing that "Agriculture in 'developed' countries is a marginalized enclave as 'underdeveloped' countries are at a world scale basis" (Vergopoulos, K., (1975) p. 236 , own translation). This conclusion would be rejected if one analyses a less developed country as such, where peasant agriculture is the non-capitalist sector of an otherwise capitalist economy, where portions of the latter (such as the areas dominated by multinational corporations) are as developed as in

industrialized countries.

(22) In this respect he merely criticizes the possible ways of measuring peasant's product: "... to measure the product by the quantity of labour spent would mean that labour can function as a standard vis-a-vis the product ... To compare the products of labour where labourers are living in substantially different social and economic conditions of production [e.g. Agriculture vs. Industry or between different countries] is hardly significant if one does not take into account the respective social costs of reproduction ... The output of family farming cannot be measured as a product of waged labour nor as a product of invested capital. These 'standards' prove inadequate for a strict analysis of the peasant economy. Agricultural labour creates 'perverse results' at the level of the labourers' remunerations. Agricultural capital is incorporated into production performing similar 'perverse functions' in relation to the rate of profit" (Vergopoulos, K. (1978) pp. 449 and 452-53). The "low productivity-low reward" question is subject to controversy in Neo-Marxist discussions on exchange. Alain de Janvry's proposal about trade relations between "The Centre" and "The Periphery" is an example of those who take the line of argumentation criticized by Vergopoulos (cf. De Janvry, A. (1981), p. 55; see also V.M. Dandekar (1980a) and (1980b), Desai, M. (1979) pp.78 and 80, Kidron, M. (1974) pp. 95-123).

(23) His failure to consider this issue rigorously is exemplified when he argues that his analysis is applicable to "... the labour intensive sectors, the 'intensive' sectors of agriculture" (op.cit. p. 456) So, from conceiving agriculture in his analysis of exchange as formed exclusively by peasants' labour intensive units (pp. 446-455), he then jumps to the conclusion that his theory can be applied to a heterogeneous agricultural sector such as the one prevailing in Mexico (ibidem. pp. 456-457).

(24) Roger Bartra (1974) pp. 79-88 and Luis Gómez Oliver (1978) pp. 719-721. The doctoral thesis of Oscar González (1980) is another example; cf. Yúnez-Naude, (1986), pp. 131-135 for a critical assessment.

(25) Bartra, A (1979b) note 57, p. 94. This assumption conflicts with his previous definition of a sector, where he takes it to be formed by two types of units producing the same use value (cf. ibidem., pp. 60, 62 and 90).

(26) This inclusion gives to the work of Bartra more rigour than the studies previously discussed since it is more in line with the type of economy with which Classical Economics deal, i.e. a real, non-monetary

one, where exchange analysis must include both the selling and the buying processes. Castaigns, (1979) presents another interesting study of peasantry's exchange relations, which includes both the buying and the selling processes. His work is not examined here since the propositions relevant for the present research coincide with those of other authors discussed here, specially the ones held by A. Bartra. Furthermore, Castaigns ignores rent and his study is based on an anthropological analysis of peasant communities in Mexico. Finally he conceives the peasantry more as a community than as an agricultural sector or subsector and this complicates even more the already intricate critical revision of the literature.

(27) Other prominent Mexican agriculturists are Roger Bartra (1974) and Michel Gutelman (1974). Their proposals on the question have been extensively discussed or integrated in the literature I had reviewed: Carmen D. Deere (1986) pp. 21-41, Gómez Oliver Luis (1977) pp. 95-151 and Margulis, M. op.cit.

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