
Imbalance and Exploitation

Andre Gunder Frank

Max Planck Institute, Starnberg, Germany

I am grateful to Mr. Pollard for having troubled to write about my anything but "major" article, and I would have been grateful to him had he also taken as much trouble and care in reading it. "Has Frank stopped beating his wife?" The question, as formulated, is as unanswerable as Mr. Pollard's exercise of his imagination about "merchandise trade and exploitation".

If Mr. Pollard's principal purpose in writing his commentary, as his title and some of the text suggests, is to deny the fact, or even the possibility of, exploitation through merchandise trade or any other trade, including that of "invisible" services, then — to give credit where credit is due — he is indeed following the mainstream tradition of two centuries of "modern economic thought" which traditionally does away with the notion of exploitation in the first three introductory lectures in any course in economics. But this "modern economic thought" was invented in Britain and refined in the United States precisely by these classes and their ideologists who benefited from this same exploitation and who have — sometimes alas all too successfully — sought to persuade both themselves and those they exploit that exploitation is no more than a "crude fallacy", just as Caesar, John Bull and Uncle Sam (and/or Tom), appeal to empire, the white man's burden and the American way of life to convince oppressor and oppressed alike that there is no oppression. Appropriately it may be left to the exploited and the oppressed themselves most effectively to combat exploitation and oppression both in fact and in theory, as they have increasingly been doing especially in the mis-named Third World. Nonetheless, as far as fact and theory goes, — and I make no apologies for going back 200 years — Adam Smith had

already observed how after "the discovery of America and that of the passage to the East Indies by the Cape of Good Hope".

« a new set of exchanges, therefore, began to take place which had never been thought of before, and which... ought to have been beneficial to all, [but was] ruinous and destructive to several of those unfortunate countries... By uniting in some measure the most distant parts of the world, by enabling them to relieve one another's wants, to increase one another's enjoyments, and to encourage one another's industry, their general tendency would seem to be beneficial. To the natives, however, both of the East and West Indies, all the commercial benefits which can have resulted from those events have been sunk and lost in the dreadful misfortunes which they have occasioned... What benefits, or what misfortunes to mankind may hereafter result from those great events, no human wisdom can foresee... » (Adam Smith, *Wealth of Nations*, Modern Library Ed. 416, 590).

With greater hindsight (perhaps less foresight) at his command, Lord Keynes later recalled and then mused:

« Indeed, the booty brought back by Drake in the *Golden Hind* may fairly be considered the fountain and origin of British foreign Investment. Elizabeth paid off out of the proceeds the whole of her foreign debt... It is characteristic of our historians that, for example, the *Cambridge Modern History* should make no mention of these economic factors as moulding the Elizabethan Age and making possible its greatness... It would be a fascinating task to rewrite Economic History, in the light of these ideas. (John Maynard Keynes, *A Treatise on Money*).

Fascinating indeed. But Keynes himself did something else, and that was also limited to the recipient central, and not the exploited peripheral, economies. The fascinating task of re-writing economic history, especially that of the *whole* capitalist world economy and of the historical place and role in it of its *various parts* at each *particular period*, remains even if thousands of scholars, many of them from the underdeveloped countries, — and even the present writer in some 18 books and 100 articles categorized un-modern, un-genuine, and un-scholarly — have devoted themselves either to the vital topic of unravelling the many complex mechanisms that Mr. Pollard lists in his last paragraph or to the difficult analysis of the real world instead of the "now you see it, now you don't" of the three introductory lecture pattern adopted by Mr. Pollard.

My article on "merchandise trade imbalances and uneven economic development" — not on "exploitation" per se! — had only the modest purpose of adding one small real grain of sand to this real economic history of the classical imperialist period, by showing how unbalanced real merchandise trade in fact was and by arguing why it was *one* contributory factor in the uneven economic development and underdevelopment of the various parts of the single capitalist world economy. Far from ignoring "invisible" services — as Mr. Pollard quite fictitiously claims my major argument does — I argue on pp. 418-21 and elsewhere in this articles, as well as in another

written ten years earlier on "Invisible Foreign Services or National Economic Development", that payments for foreign "services", of which the financial are much more important now than the transport ones that Mr. Pollard insists on, are an important counterpart of merchandise production and trade imbalances and that the real payments for these often literally invisible services significantly help to *aggravate* resulting uneven development and underdevelopment. Far from being alone in sustaining this thesis, in the last decade it has received more and more numerous adherents, especially in the balance of payments deficit countries of the Third World, including those — representing the majority of mankind — who now insistently press this thesis in the North-South dialogue in Paris, Nairobi (UNCTAD) and elsewhere, against those who cling to "modern economic thought" to defend their exploitative *status quo*. But precisely because balance of payments problems are so pressing and their examination therefore so widespread, I sought to lift the "veil of money" a bit in order to look — and encourage others to look still further — at the paradoxically often more invisible merchandise trade which lay behind it. Far from being so naïve — following Mr. Pollard — as to suppose that exploitation can and does exist only if one ignores either commodities *or* services, I recognize — and said so on p. 408 — that trade *and* production involving both merchandise *and* services can involve exploitation, and that they additionally do so through unequal exchange even if trade and payments balance at market prices.

In writing his commentary and in re-writing my theses without having taken much care to read them first, Mr. Pollard also leads himself and the reader round in a circle around the circular flow diagram of the multilateral system of trade (and payments) surpluses and deficits without ever coming close to the question at issue: how is the system of multilateral merchandise trade (but additionally also of service and other payments) imbalances related or functional to the spatially unequal (and temporally uneven) process of capital accumulation in the single world capitalist and imperialist system? Some of the ways — and complex mechanisms that it is our vital task to unravel — that our modest re-write of a small part of economic history sought to bring to light, if only to subject it to further examination by others, is (as Saul and others cited in my article have already analyzed) that Britain's surplus of imports from India helped Britain finance its deficit elsewhere, that the now underdeveloped countries' surplus exports to Europe helped the latter invest in the Dominions and the United States, and that the latter's excess merchandise imports from the underdeveloped countries helped the USA and Dominions to finance their own merchandise export surplus to Europe. China — which is included — was both less and differently integrated in the world economy particularly through its participation, in intra-Asian trade through extra-Asian merchant houses and powers. These relationships may be debatable and should be debated after scholarly inquiry,

but Mr. Pollard's mischievously unfounded claim that they or I imply that England did not de-industrialize India earlier or that West Germany is most exploited today, among other nonsensical absurdities, does not contribute to debate or to anything other than worthless confusion. Or does this confusion entail some worth for Mr. Pollard in confusing the real political issues that he, *vide* his title, himself raises?

For despite — or is it because of? — Mr. Pollard's curious reasoning and references to the various mechanisms of exploitation that are difficult to unravel, such as the suggestion "that India was exploiting Britain", he seems to admit no real possibility, and much less any systematic reality, of exploitation at all. He says "it is embarrassing to have to make such elementary points in a debate among adults; but the fact is that if they are accepted... there is no exploitation" Elementary indeed! With that elementary point and indeed with his commentary as a whole, Mr. Pollard flies in the face not only of an important (counter) stream of modern economic thought running from Smith to Keynes and beyond, not to mention the generation of List, J.S. Mill and Marx in between, but also insults the memory of all those adults and children alike who have actually suffered and died from real exploitation and the oppression maintained by "the relationship between political power and economic interest, the uses and abuses of foreign investment... cultural aggression; and many more" including the ideology and "modern economic thought" espoused by Mr. Pollard.

