How David Ricardo Has Been Misunderstood : The Case of Douglas A. Irwin

Fukudome, Hisao
Kyushu University : Professor Emeritus

https://doi.org/10.15017/1788897

出版情報：經濟學研究. 83 (4), pp.55-66, 2016-12-20. 九州大学経済学会

How David Ricardo Has Been Misunderstood:

The Case of Douglas A. Irwin

Hisao Fukudome

I.

In Chapter 7, 'on foreign trade' of *On the Principles of Political Economy and Taxation* (1817), David Ricardo (1772–1823) observes that the absolute priority of price is an indispensable condition for a commodity to be exported and imported, stating: "Thus, cloth cannot be imported into Portugal, unless it sell there for more gold than it cost in the country from which it was imported; and wine cannot be imported into England, unless it will sell for more there than it cost in Portugal."[1)]

In terms of the same kind of commodities, if the price of the commodity produced in the home country is lower than that of the commodity produced in the foreign country, it is absolutely impossible for the foreign commodity to be imported into the home country. Or, conversely, if the price of the home-made commodity is higher than that of the foreign commodity, there is no possibility of the home-made commodity being exported into the foreign country. In short, international trade is driven by the absolute cost of production. This is a fundamental fact underlying commodity (market)-economy. Everyone knows, if nothing else, without learning about the political economy, that a commodity, more expensive than a rivaling one, cannot be bought and sold. In consequence, Ricardo's statement mentioned above is nothing more than an essential point of the undeniable truth in market-economy.

Notwithstanding Ricardo's above statement expressing the basic principle of market-economy, many famous economists have maintained that every country can gain from foreign trade on the basis of relative advantage, even if that country has an absolute disadvantage in the price of all commodities. They seem to believe that this view is the core of the theory of comparative costs.

To cite a case, Paul Samuelson (1915–2009) has stated in his 'The Presidential Address: The Way of an Economist.' at the Third Congress of the International Economic Association, as follows: "The Ricardian theory of comparative advantage [is] the demonstration that trade is mutually profitable even when one country is absolutely more — or less — productive in terms of every commodity."[2)]

---

1) David Ricardo. *On the Principles of Political Economy and Taxation*. (*The Works and Correspondence of David Ricardo,* edited by Pierro Sraffa with the collaboration of M. H. Dobb, Cambridge University Press, 1951–55.Volume1.) p. 137.

2) Paul A. Samuelson. Presidential Address: The Way of an Economist. In: *International Economic Relations—Proceedings of the Third Congress of the International Economic Association*. Edited by P. A. Samuelson, London: Macmillan, 1969, p. 9.

When one country is absolutely less productive in terms of every commodity, a commodity produced in that country becomes more expensive than the commodity produced in the foreign country. Therefore, there is no possibility of the commodity of that country being exported from that country into the foreign country.

In spite of this unquestionable fact, Samuelson has believed that the more expensive commodity can be exported and can bring gains. At the same time, Samuelson has regarded this view as the heart of the Ricardian theory of relative advantage. But, when there exists no trade, how is it possible for profit to be gained by trade? I must say that this is an incomprehensible view.

Samuelson is not the only economist who has held this extremely irrational view. As a current example who holds the same opinion as Samuelson's, I may cite Douglas A. Irwin.

II.

As a contemporary expert on the theory of international trade, Douglas A. Irwin (1962–) has insisted that a country can gain from foreign trade by exporting commodity even if that country has an absolute disadvantage in the production of all commodities, and that the theory of comparative costs explains the secret of gains to the absolutely inferior country, as follows: "In other words, why should a country import corn when it could produce that corn with less expense of capital and labor at home than the foreign country could? (Or, conversely, how could a country gain from trade if that country was inferior in the production of all goods?) The theory of comparative costs demonstrated that there would still be mutual gains from specialization and trade even under those circumstances."[3] This statement is cited from 'Chapter Six: Free Trade in Classical Economics' in his book *Against the Tide—An Intellectual History of Free Trade* (1996).

How this view by Irwin is irrational, can aptly be demonstrated by Ricardo's statement cited at the beginning of this essay: "Thus, cloth cannot be imported into Portugal, unless it sell there for more gold than it cost in the country from which it was imported; and wine cannot be imported into England, unless it will sell for more there than it cost in Portugal."

On Ricardo's statement, I can repeat my previous comment at page 55: In terms of the same kind of commodities, if the price of the commodity produced in the home country is lower than that of the commodity produced in the foreign country, it is absolutely impossible for the foreign commodity to be imported into the home country. Or, conversely, if the price of the home-made commodity is higher than that of the foreign commodity, there is no possibility of the home-made commodity being exported into the foreign country.

According to Ricardo, and considering this comment, it cannot be correct to agree with Douglas A. Irwin that "a country could gain from trade even if that country was inferior in the production of all goods." If a country is absolutely less productive in terms of every commodity, the commodity produced in that country

3) Douglas A. Irwin, *Against the Tide—An Intellectual History of Free Trade,* Princeton U. P., 1996. p. 90.

becomes more expensive than the commodity produced in the foreign country, and there is no possibility of the commodity of that country being exported into the foreign country. Where there is no exportation, there is no gain from trade. Hence I must regard this statement by Irwin as an unwarranted, absolutely unacceptable assumption.

On the other hand, Irwin's assumption may be the following: Country A, which is absolutely more productive in terms of every commodity, would specialize in the production of Commodity X, which is relatively more productive in Country A, and would abandon the production of Commodity Y, which is relatively less productive in Country A; as a consequence of Country A's specialization and abandonment, Country B, which is absolutely less productive in terms of every commodity, would get the chance for Commodity Y, which is relatively more productive in Country B, to be exported from Country B into Country A.

However, this assumption applies only to individuals, that is, to the case of single subjects, and does not apply to countries, that is, to the case of plural subjects. In regard to countries, this is an unreasonable assumption.

In the case of single subjects, such as the best female lawyer in town who is also the best typist in town, her specialization in the legal field is, at the same time, her abandonment of typing activity. The secretary, who is absolutely less efficient than the lawyer in both activities but has a comparative advantage in typing, can be employed as a typist in place of the lawyer.

With countries, the state of things is fundamentally different from with individuals. In a country, there are plural business agents, plural subjects of economic activities, namely, many capitalists.

As regards this matter, another statement of Ricardo's is well worthy of note. He states that "every transaction in commerce is an independent transaction."[4] In Country A, there are many capitalists; some produce Commodity X, while others produce Commodity Y. As long as Country A is absolutely more productive than Country B in terms of every commodity, Commodity Y, to say nothing of Commodity X, can be exported from Country A to Country B. The capitalists who produce Commodity Y in Country A do continue, and never abandon, the production of Commodity Y. Consequently, the capitalists who produce Commodity Y in Country B cannot get the chance to export their products from Country B to Country A.

To illustrate the importance of absolute advantage of the price of commodities in the foreign trade market, Ricardo elaborates on it as follows: "Now suppose England to discover a process for making wine, so that it should become her interest rather to grow it than import it; she would naturally divert a portion of her capital from the foreign trade to the home trade; she would cease to manufacture cloth for exportation, and would grow wine for herself. The money price of these commodities would be regulated accordingly; wine would fall here while cloth continued at its former price, and in Portugal no alteration would take place in the

4) Ricardo, op. cit., p. 138.

price of either commodity. Cloth would continue for some time to be exported from this country, because its price would continue to be higher in Portugal than here; but money instead of wine would be given in exchange for it."[5)]

III.

Why does Irwin put forward such an extremely unnatural, absolutely unreasonable view? It is quite mysterious. One of the reasons that Irwin holds this unreasonable opinion lies in the fact that he is lacking in the understanding of the labour theory of value, completely leaving value (or price) out of account, in the international trade market. Irwin has, therefore, misunderstood Ricardo's explanation of foreign trade.

Das Kapital (*Capital* in English) by Karl Marx (1818–83), especially the first chapter (titled 'Commodities') supplies us with an important clue to making this point clear.

The first chapter consists of four sections: the first — The two Factors of a Commodity: Use-Value and Value (the Substance of Value and the Magnitude of Value); the second — The Twofold Character of the Labour Embodied in Commodities; the third — The Form of Value or Exchange Value, and the fourth — The Fetishism of Commodities and the Secret thereof.[6)]

In the first section, Marx explains three main points, as follows: (1). All commodities have use-value, that is to say, they satisfy some want or need of people, directly or indirectly; (2). Commodities also possess value, namely, the property of being exchangeable for other things, or the attractive power of exchange for all other elements of wealth; (3). What determines the magnitude of value of any commodity is the quantity of the value-creating substance, i.e. the labour, contained in the commodity, or more specifically, the amount of the labour socially necessary for its production.

In the second section, Marx examines the twofold character of the labour embodied in commodities.

In the third section, Marx exhibits his unmatched theoretical genius. The theme of this section is the value-form, whose fully developed shape is the money-form. Here Marx sets himself a task, "the performance of which has never even been attempted yet by any human mind; that is, the task of showing the genesis of the money-form, or the task of tracing the logical development of the expression of value contained in the value relation of commodities, from its simplest, almost imperceptible form to the dazzling money form".[7)] Hence, Marx concludes that "price is the monetary expression of value"[8)], and that "price is the money name of the labour realized in a commodity."[9)]

5) Ricardo, op. cit., p. 137.
6) Karl Marx, *Capital*, Vol. I (*Karl Marx-Frederick Engels-Collected Works*, Volume 35. International Publishers, 1996) pp. 45-94.
7) Marx, op. cit., p. 58. (English translation from German is mine.)
8) Marx, op. cit., p. 112. (English translation from German is mine.)
9) Marx, op. cit., p. 111.

To sum up, Marx asserts that in the analysis of the phenomena of commodity (market)-economy, it is necessary to consider the matter from the dual point of view of *labour as the substance of value* and *price as the form of value*.

From this standpoint, Marx states in the fourth section that Smith and Ricardo "have achieved an analysis, however incomplete, of value and the magnitude of value, and have discovered *the content concealed within these forms*", in other words, "*the labour as it finds expression in value*."[10]

In the case of Adam Smith (1723–90), as remarked by Marx, Smith examines foreign trade from a dual point of view in the two chapters of *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776).

As shown below, the dual point of view consists of *labour* and *value*, in Book 2, Chapter 5: 'Of different Employment of Capitals', and consists of *industry* and *value*, in Book 4, Chapter 2: 'Of Restrains upon the Importation from Foreign Countries of such Goods as can be produced at Home'.

To show the existence of the dual point of view, I may cite one sentence respectively from these two chapters. The first sentence of Book 2, Chapter 5 is : "Though all capitals are destined for the maintenance of productive *labour* only, yet the quantity of that *labour*, which equal capitals are capable of putting into motion, varies extremely according to the diversity of their employment; as does likewise the *value* which that employment adds to the annual produce of the land and labour of the country."[11] In this chapter, there are more than ten sentences which include the pair of words of *labour* and *value*.

In the ninth paragraph of Book 4, Chapter 2, there is a sentence which includes the very famous words 'an invisible hand', and which makes better use of the dual point of view of *industry* and *value* : "By preferring the support of domestic to that of foreign *industry*, he intends only his own security; and by directing that *industry* in such a manner as its produce may be of the greatest *value*, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention."[12] The pair of words of *industry* and *value* appears plural times in this chapter.

By carefully reading these two sentences, I can discern Smith's frame of mind: that the labour (or industry) employed in the production of commodities creates the value of the commodities, and that the quantity of value added to the commodities varies greatly according to the manner of labour (or industry). At the same time, I can ascertain correctly that Adam Smith pursues his investigations on the basis of the dual point of view of labour (or industry) and value (or price).

Likewise, as also indicated by Marx, and shown below in more detail, David Ricardo analyzes foreign trade from a dual point of view. In other words, he examines foreign trade not only on the level of the labour

---

10) Marx, op. cit., p. 91. (English translation from German is mine.)

11) Adam Smih, *An Inquiry into the Nature and Causes of the Wealth of Nations* (New York: Modern Library, Random House, 1937) p. 341 (Italics are mine).

12) Smith, op. cit., p. 423. (Italics are mine).

which is necessary to produce a commodity, but also on the level of the value which the labour contained in the commodity represents.

Considering these matters, it should be clear that the way of analyzing phenomena of market-economy (including foreign trade, needless to say) from the dual point of view of labour and value, is common to Smith, Ricardo and Marx, and that Ricardo's theory of comparative costs must be understood not only in term of labour (or indutry) but also in term of value (or price).

IV.

Douglas A. Irwin has failed to grasp the twofold viewpoint of labour (or industry) and value (or price) which has been characteristic of D. Ricardo (and A. Smith, and K. Marx as well), so Irwin's way of thinking about foreign trade has been different from Ricardo's. In consequence, Ricardo has not stood high in Irwin's estimation. In contrast to the case of Ricardo, Irwin has praised Robert Torrens and James Mill highly, and has cited important passages from Torrens and Mill respectively, with no citations whatsoever from Ricardo's *On the Principles of Political Economy and Taxation*.

Irwin's view about 'Free Trade in Classical Economics' may be detected from the following citations:

"The notion that imported goods could be acquired more cheaply abroad because the absolute cost of production was lower than at home has come to be known as the 'eighteenth-century rule,' owing to its occasional use during that century."[13)]

"Why was the theory of comparative costs such an advance over the eighteenth-century rule ? The latter illustrated the gains from specialization and trade when countries differed in their ability to produce different goods. But what if one country was superior to another in producing all goods? In other words, why should a country import corn when it could produce that corn with less expense of capital and labor at home than the foreign country could? (Or, conversely, how could a country gain from trade if that country was inferior in the production of all goods?) The theory of comparative costs demonstrated that there would still be mutual gains from specialization and trade even under those circumstances. Countries would specialize in the production of the good in which their opportunity cost (in terms of the implicit sacrifice of other, forgone goods, not in terms of absolute cost) was lowest. Combined with some simple numerical examples, the classical economists showed how both countries could potentially consume more of both goods as a result of free trade."[14)]

"The theory of comparative costs, or comparative advantage . . . stated that certain goods could be advantageously imported from abroad *even if* the home country had an absolute cost advantage in producing the

13) Irwin, op. cit., p. 89
14) Irwin, op. cit., pp. 90-91

good."[15)]

On these grounds, Irwin has given Torrens and Mill a remarkably high estimation.

On Robert Torrens, Irwin has regarded him as the first discoverer of the theory of comparative costs and has cited a considerably long paragraph from his *Essay on the External Corn Trade* (1815).

On James Mill, Irwin has emphasized the crucial role played by Mill in exploring the law of comparative costs, and has cited two passages—the first from Mill's article 'Corn Laws' published in 1814, "which is cited for its clarity of expression"[16)], and the second from Mill's book *Element of Political Economy* published in 1821, in which "Mill set out the comparative costs example with tremendous clarity and even conveyed the intuition for the theory in two simple sentences."[17)]

In contrast, Irwin has underestimated David Ricardo, stating that: "David Ricardo, perhaps the most illustrious member of the classical school, has traditionally received virtually all the credit for expounding the theory of comparative costs. The *Principles* contains the famous chapter 7 example of Portugal and England exchanging wine and cloth, wherein Portugal has an absolute cost advantage in the production of both commodities but comparative cost advantage in wine. Yet Ricardo's mere three-paragraph discussion was poorly expressed, awkwardly placed in the chapter, and failed to bring out the essence of the theory. John Chipman (1965) has even stated that Ricardo's 'statement of the law is quite wanting, so much so as to cast some doubt as to whether he truly understood it.'[18)]"[19)]

I have indicated the weakness of Irwin's theory in Section 2 of this essay. In addition, I have pointed out in detail the misunderstandings, which Torrens, Mill, and Irwin had held in common in their writings, in my paper 'Comparative Costs of Production and International Values—Ricardo vs. Irwin'.[20)]

15) Irwin, op. cit., p. 90 (Italics are Irwin's).
16) Irwin, op. cit., p. 89.
17) Irwin, op. cit. p. 91.
18) John S. Chipman, without correct understanding of the labour theory of value, treats Ricardo lightly as follows: "It does not seem to have been recognized that Ricardo's own statement of the law is quite wanting, so much so as to cast some doubt as to whether he truly understood it; at best, his version is carelessly worded." ("A Survey of the Theory of International Trade: Part 1,The Classical Theory, " *Econometrica* 33. July 1965). p. 480.
19) Irwin, op. cit. p. 91.
20) 福留久大「比較生産費と国際価値—リカード対アーウィン」(九州大学経済学会『経済学研究』第82巻第4号、2015年12月)61〜98頁。
Hisao Fukudome "Comparative Costs of Production and International Values—Ricardo vs. Irwin".
In: *Journal of Political Economy* (Society of Political Economy, Kyushu University), Vol.82. No.4, pp. 61-98. (in Japanese.)

V.

Here I focus on Irwin's opinion regarding "Ricardo's mere three paragraph discussion" included in "the famous chapter 7 example of Portugal and England exchanging wine and cloth."[21)]

First, I quote four paragraphs from Ricardo's *On the Principles of Political Economy and Taxation* — three specified by Irwin plus one that precedes the three paragraphs in question. I call the preceding one Paragraph A and the following three Paragraphs B, C, and D.

[A] The quantity of wine which she shall give in exchange for the cloth of England, is not determined by the respective quantities of labour devoted to the production of each, as it would be, if both commodities were manufactured in England, or both in Portugal. [22)]

[B] England may be so circumstanced, that to produce the cloth may require the labour of 100 men for one year; and if she attempted to make the wine, it might require the labour of 120 men for the same time. England would therefore find it her interest to import wine, and to purchase it by the exportation of cloth.[23)]

[C] To produce the wine in Portugal, might require only the labour of 80 men for one year, and to produce the cloth in the same country, might require the labour of 90 men for the same time. It would therefore be advantageous for her to export wine in exchange for cloth.[24)]

[D] Thus England would give the produce of the labour of 100 men, for the produce of the labour of 80. Such an exchange could not take place between the individuals of the same country. The labour of 100 Englishmen cannot be given for that of 80 Englishmen, but the produce of the labour of 100 Englishmen may be given for the produce of the labour of 80 Portuguese, 60 Russians, or 120 East Indians.[25)]

Irwin has interpreted the above Paragraphs B and C as follows: "Portugal has an absolute cost advantage in the production of both commodities but comparative cost advantage in wine."

With regard to Irwin's interpretation, he is correct in saying that "Portugal has a comparative cost advantage in wine", but not correct to say that "Portugal has an absolute cost advantage in the production of both commodities."

In order to understand the reason why I declare this to be so, it is crucial to read Paragraph A carefully (which has been ignored by Irwin), and to grasp the essential logic of the labour theory of value. The labour

21) Irwin, op. cit. p. 91
22) Ricardo, op. cit., pp. 134-5.
23) Ricardo, op. cit., p. 135.
24) Ricardo, op. cit., p. 135.
25) Ricardo, op. cit., p. 135.

theory of value, which argues that the value of a commodity is determined by the amount of necessary labour required to produce it, is the cornerstone of Ricardo's political economy. Ricardo begins Chapter 1, Section 1 of *On the Principles of Political Economy and Taxation,* with another expression of the labour theory of value, as follows: "*The value of a commodity, or the quantity of any other commodity for which it will exchange, depends on the relative quantity of labour which is necessary for its production.*"[26]

In Paragraph A, the labour theory of value is demonstrated in two different ways; that is, positively and negatively. The positive way is : 'The quantity of wine which shall be given in exchange for the cloth is determined by the respective quantities of labour devoted to the production of each, if both commodities were manufactured in England, or both in Portugal.' The negative is : 'The quantity of Portuguese wine which shall be given in exchange for the cloth of England, is not determined by the respective quantities of labour devoted to the production of each, as if both commodities were manufactured in England, or both in Portugal.'

The point is that the labour theory of value can be applied only within a country, and cannot be applied between countries. It is definitely correct to agree with Ricardo that "the same rule which regulates the relative value of commodities in one country, does not regulate the relative value of the commodities exchanged between two or more countries"[27], and that "the difference in this respect, between a single country and many, is easily accounted for, by considering the difficulty with which capital moves from one country to another, to seek a more profitable employment, and the activity with which it invariably passes from one province to another in the same country."[28]

Under the command of capital, labour moves actively within a country, and there will be created a certain standard in the relation between labour and value in which labour finds expression. On the ground of the labour theory of value, within a country, for example, within England, I can say that the value of the cloth of England, the produce of the labour of 100 men, is 100/120 of the value of the wine of England, the produce of the labour of 120 men; within Portugal, the value of the cloth of Portugal, the produce of the labour of 90 men, is 90/80 of the value of the wine of Portugal, the produce of the labour of 80 men. Therefore, I can correctly agree with Irwin that "Portugal has a comparative cost advantage in wine", and in the same manner, I can affirm that "England has a comparative cost advantage in cloth."

It is difficult for labour to move between countries; there cannot be created a certain standard in the relation between labour and value. Between countries, therefore, there will be "difference in the rate of profit" and "difference in the real or labour price of commodities"[29]. With the "difference in the real or labour price of commodities" between countries, or in other words, with no functioning of the labour theory of value between countries, I connot maintain that the value of the cloth of England, the produce of the labour of 100

---

26) Ricardo, op. cit., p. 11. (Italics are Ricardo's)
27) Ricardo, op. cit., p. 133.
28) Ricardo, op. cit., pp. 135-136.
29) Ricardo, op. cit., p. 136

Englishmen, is 100/90 of the price of the cloth of Portugal, the produce of the labour of 90 Portuguese. Under some circumstances it may be possible that the price of the cloth of England becomes smaller than that of the cloth of Portugal. In the famous example given by Ricardo, as shown later in detail, the cloth of England, which requires the labour of 100 Englishmen, is actually cheaper in the foreign trade market than the cloth of Portugal, which requires the labour of 90 Portuguese. Consequently, it is not correct to say, as Irwin does, that "Portugal has an absolute cost advantage in the production of both commodities", because England may have an absolute advantage at least in the production of cloth.

VI.

Now that I have pointed out Irwin's theoretical shortcoming; namely, his misunderstanding of Ricardo's example, I proceed to present my own explanation. Paragraphs B, C and D draw my attention to two points.

The first point is the fact that with regard to Paragraphs B and C, Ricardo has added the definite article *the* to *cloth* and *wine* to make *the cloth* and *the wine*. In 1974, Kenzo Yukizawa attempted to interpret *the cloth* and *the wine* as follows: "*the cloth* and *the wine* are considered to mean *a definite quantity of cloth* and *another definite quantity of wine* that are actually traded at the same price, in the international trade market."[30] According to this interpretation, *the cloth of England requiring the labour of 100 men for one year* and *the wine of Portugal requiring the labour of 80 men for one year* have achieved the position of exporting commodities and have been assigned the same price. This interpretation will lead to the same conclusion outlined below in the second point. I agree with Yukizawa's interpretation, and represent as W-unit *the quantity of the cloth* that is traded for *the quantity of the wine* marked as X-unit.

The second point is the fact that with regard to paragraph D, Ricardo has illustrated that "the labour of 100 Englishmen cannot be given for that of 80 Englishmen, but the produce of the labour of 100 Englishmen may be given for the produce of the labour of 80 Portuguese, 60 Russians, or 120 East Indians." This illustration means that *the cloth of England, the produce of the labour of 100 men* is at the same price with *the wine of Portugal, the produce of the labour of 80* in the international trade market, and that *the cloth of England* and *the wine of Portugal* respectively have the highest productive advantage and the lowest level of price among the same sort of commodities.

On the basis of these discussions, let me assume that *W-unit English cloth* and *X-unit Portugal wine* are traded, for example, at the price of £4000, in the international trade market. Because domestic trade obeys the labour theory of value, *W-unit Portugal cloth* becomes worth £4000×90/80=£4500, and *X-unit English*

30) 行澤健三「リカードゥ『比較生産費説』の原型理解と変形理解」（中央大学経済・商業学会『商学論纂』第15巻第6号、1974年）25〜51頁。

Kenzo Yukizawa "Ricardo's 'Comparative Cost' Theory as it was". In: *Journal of Commerce* (The Society of Business and Commerce in Chuo University), Vol. 15, No. 6, pp. 25-51. (in Japanese.) (English translation from Japanese is mine.)

wine £4000×120/100=£4800. Thus, I can illustrate Ricardo's four-number-example in two ways. One is based on the quantity of labour (or industry), and the other on the quantity of value (or price), as shown below. It is made clear that the cloth of England, which requires the labour of 100 Englishmen, is actually cheaper in the foreign trade market than the cloth of Portugal, which requires the labour of 90 Portuguese.

Table ① the quantity of labour necessary to produce

	W-unit cloth	X-unit wine
England	100 men	120 men
Portugal	90 men	80 men

Table ② the quantity of value which the labour expresses

	W-unit cloth	X-unit wine
England	£4,000	£4,800
Portugal	£4,500	£4,000

In the same manner, Ricardo's four-number-example will be extended, for example, to sixteen-number-example consisting of four countries, which produce four kinds of commodities, as shown below.

Table ③ the quantity of labour necessary to produce

	W-unit cloth	X-unit wine	Y-unit corn	Z-unit cotton
England	100 men	120 men	140 men	160 men
Portugal	90 men	80 men	100 men	110 men
Russia	84 men	78 men	60 men	102 men
India	138 men	150 men	129 men	120 men

Table ④ the quantity of value which the labour expresses

	W-unit cloth	X-unit wine	Y-unit corn	Z-unit cotton
England	£4,000	£4,800	£5,600	£6,400
Portugal	£4,500	£4,000	£5,000	£5,500
Russia	£5,600	£5,200	£4,000	£6,800
India	£4,600	£5,000	£4,300	£4,000

Putting Paragraphs A, B, C and D together, I can definitely recognize that the Ricardian model of the theory of comparative costs is grounded on the dual point of view, which consists of *labour as the substance of value* and *price as the form of value*, as indicated by Karl Marx.

One striking result from a careful observation of the tables shown above is that the absolute advantage of price is indispensable for the commodity to be exported from the home-country to the foreign-country, or to be imported from the foreign-country to the home-country. This proposition is completely consistent with Ricardo's statement cited at the beginning of this essay: "Thus, cloth cannot be imported into Portugal, unless it sell there for more gold than it cost in the country from which it was imported; and wine cannot be imported into England, unless it will sell for more there than it cost in Portugal." At the same time, this proposition is absolutely inconsistent with Irwin's statement cited above: "The theory of comparative costs, or comparative advantage . . . stated that certain goods could be advantageously imported from abroad *even if* the home country had an absolute cost advantage in producing the good.”

According to this proposition, Ricardo specifies the commodity, which is the cheapest among the same kind of commodities, as the exportable one on the ground of its absolute advantage in the international price competition.

Another striking result from the tables concerns the commodities which are unable to be the cheapest among the same kind of commodities, and unable to be exported. Whether they can survive or not in the international competition depends on their degree of comparative disadvantages compared to their respective countries’ comparative advantage commodities. If they succeed in overcoming their disadvantage by technological development, they can survive. But if they fail, they are forced to exit from the market. The countries which have no cheapest commodities will be so circumstanced that they have no exportable commodities to pay for the imported commodities and they are troubled with unbalanced foreign trade positions. As a result money instead of exportable commodities must be given in exchange for their imported commodities.

To summarize the four (or sixteen) number-example of the Ricardian model, as the first step, the strong exportable commodities occupy the central positions on the ground of the absolute priority of value (or price) among the same sort of commodities, and create the standard measure of value (or price) in the international market. In the next step, the weak non-exportable commodities are positioned according to the comparative priority of labour (or industry) in relation to other domestic commodities.

Against almost all the economists, I conclude that the Ricardian theory on international free trade represents not only a world of peaceful coexistence for everyone’s mutual benefit, but also a world of cut-throat competition and the survival of the fittest, where the strong prey upon the weak and the weak fall prey to the strong.

In 2016, Japan is about to experience the results of the T.P.P (Trans-Pacific Partnership) Agreement, which is a kind of Free Trade Agreement. Whether this agreement will result in coexistence and co-prosperity, or bring about a loss of diversity as the weak fall prey to the strong, that is the question.[31)]

(Autumn, 2016)

〔Professor Emeritus, Kyushu University〕

31) I would like to thank Professor Matsuji Tajima, Mr. Toyoya Ikeda and Mr. Hideto Fukudome, who read the earlier manuscript and suggested numerous stylistic improvements. Without their help, I could not have completed this essay in English. I am of course responsible for all remaining errors and omissions.