

# **Title: Exchange rates in recent Marxist political economy**

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## **ABSTRACT**

A review of conflicting accounts of exchange rate determination in some recent Marxist work. Carchedi (1991) argues that long-term core exchange rates between currencies are determined by a tendency for exchange rates to move to parities which will equalise profit rates for similar production carried out in the relevant countries. Bryan (1995) places a much heavier stress on the role of movements of money capital in determining parities between major currencies. Shaikh and Antonopoulos (1998) reject the theory of comparative advantage, and also PPP theory, and argue that the competitive position of a country (real wages, productivity etc.) determines real exchange rates. However their equations do make some allowance (though not clearly explained) for interest rate differentials between countries which would result in movements of money capital between currencies.

I argue: (1) that further progress in the theorisation of exchange rates within a Marxist framework requires greater clarity about the differences in expected relative rates of return which underlie international movements of money capital - and of the relative effect on exchange rates of trade-related and money capital flows between currencies.

(2) that a major focus of work on exchange rates should continue to be on the effects of the relative overvaluation and undervaluation of currencies. Here I draw examples from the recurrent crises of debt and capital flight which beset the newly industrialising economies. As their currencies crash, local capital and labour are devalued in terms of world money (led by the dollar) - and mechanisms of unequal exchange and international value transfer come into operation.

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Carchedi, Guglielmo (1997) 'The EMU, Monetary Crisis and the Single European Currency,' No. 63 *Capital and Class*.

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