

Concerning "Value"

WITH reference to "A Reply to F. J. McNey" by L. T. Morgan, in the "Clarion" for February 1st:—F. J., it appears, has been caught with his suspenders unbuttoned and L. T., doughty champion of "Marginal Utility," has seized the opportunity to administer a few swift *colpi dei piedi* where he thinks they will do the most good. This must be a very painful business for F. J., and the devil of it is that L. T. is probably correct enough so far as his criticism of F. J. is concerned. Nevertheless, I am human and my sympathies are with F. J. After all he has merely made the mistake of underestimating the strength of his opponent's position, and that is no more than many a one of us has been guilty of many's the time and oft. Generally we have managed to get away with it, perhaps because as a rule the other fellow knew no more about his own position than we did. It has remained, however, for F. J. to go to the well once too often and he made a horrible example and a warning to the rest of us. It is too bad. No doubt F. J. suffers under a sense of injustice. Of course if he had taken the trouble to study his subject more deeply he would probably have discovered, as L. T. points out, that Marginal Utility is not a theory of value at all—in the sense that Marxian "Value" is generally understood—but a theory of Prices and as such is not open to the objections F. J. urges. This little precaution, however, he neglected to take and as a consequence L. T. has fallen upon him and smitten him hip and thigh. Alas!

But, in the heat of the onslaught, as it were, in the excitement and stress of the smiting L. T. has himself let fall one or two statements concerning Value et al which seem to me to call for further consideration. He begins his discussion on Marxian "Value" by insisting that Value and Exchange Value are two distinct and very different things. This may be in accord with Marx even if it is not with some of the best Marxian traditions. "Value," says L. T., "is only conceptually existent," while "Exchange Value, the phenomenal form of Value," is the ratio in which commodities may actually be observed to exchange and, where one of the commodities is the money commodity, is expressed as Price. So far so good, but, "It does not follow that there is any causal relation between the two—nor is there any mechanism by which Value can make itself effective in the field of circulation." Of these two statements—particularly the latter—I am just the least bit dubious, for reasons which will appear.

L. T. then proceeds to make F. J. privy to the one way in which Value may be connected with Exchange Value and he goes at it like this—"In any given period of time there is produced a given quantity of commodities; these have already absorbed a given quantity of labor, and consequently have a certain total Value. The Values of these commodities are expressed in gold prices. The total Gold Price must of necessity equal the total Value . . ." Here I am frankly puzzled. Proof-readers are human and erring, typesetters are on occasion guilty of fiendish inaccuracies, writers, particularly on Economics, are sometimes caught asleep at the switch, and critics—God save us all!—sometimes go off at half cock. Which of us is to blame for my bewilderment I don't know. One thing only am I sure of in this connection—that either my understanding is sadly out of alignment or there is something desperately wrong with L. T.'s argument as I read it. If the Values of these commodities are expressed as Prices why, in the first place, does L. T. hold that there is no mechanism by which Value can make itself effective in the field of circulation? And, in the second place, Value and Exchange Value being so distinct and different, what becomes of his previous statement that it is Exchange Value that is expressed as Price? If, on the other hand, it is the Exchange Values of these commodities that are expressed as prices, and Value and Exchange Value are very different and separate things, and Value

cannot express itself in the field of circulation, whence derives the authority for the statement that "Total Values must of necessity equal total Prices"?

It may be that L. T. could quite truthfully retort that he has the authority of Marx's written word for this last. I am not sure of this, but I would be willing to believe him if he said so, for I too believe that, according to the Marxian theory, Total Values will over a period of time equal total Prices. But the theoretical proof of this is not to be found in the theory as L. T. has stated it.

L. T. says "it does not follow that there is any causal connection between Value and Exchange Value." Now probably there is nothing that could properly be called a causal connection between the two, but just how much does L. T. intend to convey by that statement? The general tenor of his discourse suggests to me that his intention is to deny any relation at all. He says that the Law of Value is "only another way of saying that labor produces all values." If this is all the Law of Value is its inclusion in "Capital" reflects no credit upon Herr Marx. It is certainly no better way of stating what even in Marx's day was surely an obvious truth, and as the foundation for a theory of Political Economy it is about as much to the point as the statement "God created all things" would be as a premise from which to argue the Theory of Relativity. If this is all the Law of Value is it is little else than a hindrance to the understanding of what follows, and might well be discarded. And with the Law of Value goes also the concept "Value," and if it be objected that the concept "Value" is necessary to the theory of Surplus Value this would simply mean that the theory of Surplus Value has no more validity than the Law of Value and might as well go into the discard with it.

However, before condemning Herr Marx and his works, perhaps it would be no more than fair to hear him in his own defence. But before putting him in the witness box let us consider for a moment what appears to me to be L. T.'s interpretation of him. L. T.'s conception of "Value" seems to me to be that of something which is created in the act of production, and exists, and the magnitude of which is determined, prior to and independent of the act of exchange. This is, I believe, the conception of "Value" held by the generality of Marxian students. Now, as L. T. has discovered, there does not appear to be any mechanism by which "Value"—so conceived—can make itself effective in the field of circulation. Nor does there seem to be any indication of a causal relation—nor, indeed, any pertinent relation at all—between Value and the phenomena of exchange. Nor does there seem to me—although L. T. appears not to be with me in this—to be any warrant for the statement that over a period total values must of necessity equal total prices. Nevertheless this last statement is implicitly if not expressly stated in "Capital." And if Marx was not an intellectual charlatan we are almost bound to believe that he conceived of some pertinent relation between his concept "Value" and the phenomena of exchange.

What, then, does this suggest? It suggests that if the Marxian economic theory is to be made intelligible and defensible, the Law of Value must be so interpreted as to place the concept "Value" in some pertinent relation to the phenomena of exchange. Let us call Herr Marx.

"We see then that that which determines the magnitude of the Value of any article is the amount of labor socially necessary, or the labor time socially necessary for its production." (Capital, Vol. 1, p. 46).

Now the necessary labor is, I take it, the least amount of labor by which a commodity can be continuously produced under the conditions of production existing generally at the time. Thus, if the general run of plants producing commodity A are able to effect its continuous production with a labor

expenditure of one hour's (single, abstract, undifferentiated) labor per unit commodity, that one hour is what counts in determining the magnitude of the Value of that commodity, although some plants of less efficiency may require perhaps two hours per unit while others of unusual efficiency or possessing some special advantages may need only half an hour per unit. This I understand is what the term "necessary labor" is held to indicate by the generality of Marxian students. Now as to the significance of the term "socially" in this connection. In general this seems to be understood as implying little more than a recognition of the fact that the production of a given commodity is no longer—if it ever was—the work of one individual or one group or one industry or even one nation, but is a task in which the whole of organized society partakes. A commodity is a social product. True enough. But this is an interpretation not of socially necessary labor but of necessary social labor. A distinction with a difference.

"Socially necessary labor" is, I suggest, labor necessary to satisfy a social need. The amount of socially necessary labor, then, required for the production of a commodity is that amount necessary to continuously produce it in quantities sufficient to fill the effective demand. The demand for any certain commodity may at a given moment be considered as a fixed quantity. The amount of labor necessary to produce that quantity of the given commodity is the amount which counts in determining the magnitude of the Value of the total quantity of that commodity on the market at that moment. Thus, if the demand for commodity A at a given moment be 10,000 units, no matter how much more or less the total quantity of commodity A on the market at that moment may be its total value, in terms of labor-time, will be that amount of labor necessary to produce 10,000 units, for that is the amount of labor socially necessary, and since it has been exerted in response to a social want it can be no more materialized than the amount socially necessary.

This means that while Value is created in the act of production and exists prior to and independent of the act of exchange, its magnitude is not determined until it meets the market and equates itself to the social need. It means that just as prices determined by the conditions of the market tend in the long run to coincide with Cost of Production, so will Exchange Values tend to coincide with Values, and over a period total Values will theoretically equal total Exchange Values. It discloses the relation Exchange Values bear to Values, they being the phenomena that mark the process of trial and error by which supply equates itself to demand and the magnitude of "Value" is determined.

Exchange Value may be regarded as the phenomenal form of "Value." It means—what, I trust, will satisfy L. T.—that, by way of our old friend "Supply and Demand," the Marxian theory is closely related to the theory of Marginal Utility—which, indeed, may even be this self-same old friend in Kuppenheimer clothes, patent leather hair and horn-rimmed spectacles.

It means also—as a little reflection will discover—a great many other things which some "old line" Marxists perhaps will not relish and for which they will probably denounce me as a naughty fellow full of base heretical notions and sunken in sin. But is it anything new, this interpretation of the Law of Value which I have here attempted briefly to expound? I don't know. Probably not. Is there anything in "Capital" that implicitly or expressly forbids this interpretation? Again, frankly, I don't know. I confess I have never read "Capital," and am willing to go on record as having vowed that voluntarily I never will. So that unless I sometime decide to take a course in Political Economy in some conservative University, I probably never shall. 1

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