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KARL MARX'S THEORY OF EXCHANGE

A Criticism in Political Economy.

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Current Finance and Labor Problems in 1919 Add Special Interest to the Following Treatment of Money, Gold and Prices Presented by this Writer on Industrial Economics, a Few Years Previous to the World-War.

Henry B. Ashplant asserts that the "Gold Standard" is a Relic of a Crude Age, now Responsible for the Industrial World Situation—and Claims that No Adjustment of Labor Factors Will Be Effective To Ensure Social Peace, Which Does Not Eliminate the Gold Standard Clause in Finance Contracts and Money Practice in World Exchange.

(REPRINT)

"The National Monetary Commission of the United States has recently (1910) published an interesting digest of its investigations in the finance and banking "field" in Canada, and Senate "Document No. 583," entitled "The Canadian Banking System", by Joseph Frederick Johnson (Dean of the New York University School of Commerce), embodies some significant facts that should be decidedly attractive reading for believers in Karl Marx's theory of Exchange. Marx's theory is ably presented in simplified form in the "Student's Marx" (by Dr. Aveling). Its claim is, that in a normal market (where artificial and temporary disturbing factors are eliminated, with the laws of Supply and Demand operating freely) commodities always tend to exchange for money at their natural value in equivalent volumes of social labor expenditure measured by time; gold being selected and used for standard measure of value (see "Capital," Chap. 3, Section 1) and medium of exchange, because it, as money, is an embodiment of labor itself.

Using any given unit of time as a basis for argument—say eight hours, for illustration, as a unit working day—Karl Marx discovers the average market price of a unit of natural products or manufactured commodities, by taking the weight of gold metal produced in the mining industry in that period of time, and, regarding it as the "effectual demand" or purchasing factor, places it in the position of "dividend" in a simple mathematical equation. Then, taking the quantity of any other commodity produced in the same period of time, to be exchanged (or sold) for gold, he places it as the "divisor" or "supply" factor; and Marx finds the "quotient" that results from an equation between

supply of goods and demand of money to be the normal price of any unit commodity in money (or gold) terms. Thus, for example, equating the supply of coal against the production of gold in a given season, we have:

DIVISOR	DIVIDEND	PRICE
SUPPLY	DEMAND	QUOTIENT
30 tons of coal	15 ounces or say \$300 in gold	\$10.00 per unit ton for coal

*The quotient (price) will of course vary with any variations in Supply and Demand. (Demand being effective *Proportionate Power in any form*). Marx treats not only of gold and money equivalent terms; and all through his book on the genesis of "Capital" he speaks of gold as the "universal equivalent" money commodity; a metal which becomes money in the process of commercial evolution only because it (gold) is itself first a commodity that costs (and is the embodiment in smaller bulk of) a volume of social labor-time expended in bringing it to market "equivalent" on the average to the volume of social labor, measured by time, that is embodied in the gold price of any other commodity, or service, for which it is exchanged in commerce.

It is my opinion that Socialists are justly entitled to the claim that Marx's analysis of the connection between gold and other commodities is the most intelligent presentation of the money problem on record, incorrect as it is, in my judgment, not being true to world practice.

Following up his argument, resting on the above theory as a premise, Karl Marx reaches the conclusion (and advances it as an adequate explanation of industrial problems and of the process of creating modern capital) that the industrial slavery of the working class results from, and is perpetuated by, a system that pays to the working class, as wages, salaries, etc., in exchange for its service in wealth production a piece of gold in its price form, or paper money which is an equivalent for gold withdrawn from circulation, (see "Capital," chap. 3, section 2, on "coins and symbols of value") which is less in weight than the full weight of the piece of

—*It is vitally important ever to bear in mind that prices are never determined by cost of production. It is the margin of profit, and not price, which is determined by cost of production—viz., wages. Price is a product of ratio between supply of goods and demand of money, and the margin between market price and cost (or wages) of production is PROFIT. To clearly grip this fact is vital to a solution of the world problem.