

Concerning Value

BY "GEORDIE"

THE FUNCTION OF THE THEORY.

FROM the consideration just set forth it would seem that the question now confronting us may be formulated something as follows:—

What reason, if any, have we for saying that "Value is the cause of Price?": if so, "What is the mechanism by which value makes itself effective?": if not, "What is the function of the Theory of Value?"

If we take the market for any given commodity at any given moment we shall find that the supply of that commodity is for the time being a fixed quantity. Now, it is the business of the seller to sell; they will sell if they can and in many cases must sell. The goods, therefore, will be sold and at such a price as will make the demand equal the supply. That is to say at a price which will find purchasers for all the goods. We may observe in passing the influence of price in the determination of demand. If the price should rule so low as to cause a withdrawal of goods from the market this would show the influence of price on supply. In any case supply would equal demand.

Now this price is clearly arrived at without reference to the value or to the cost of production of the goods and this fact has given rise to the statement, first made by Bastiat, I believe, that "labor, once expended, can have no further influence on the commodities." The goods, when once exposed for sale are at the mercy of the market.

The production and sale of commodities is, however, a continuous process. If the goods are removed from the market by purchase others must take their places, and the price which is realized must be such as to allow of a continuous flow into the market. That is to say the price must, on the average, cover the cost of production of the goods. On these grounds it was argued that Exchange-Value was determined by Cost of Production. It was also held that the average of prices over a long time would conform to the cost of production.

It is a fact, however, that any change in the cost of production of any commodity (caused by the use of machinery or in any other way) would affect the market prices of all the commodities of that kind in the market no matter what their cost of produc-

tion might be. This fact, together with the objection I have just mentioned, gave rise to the theory that Exchange-Value was determined not by Cost of Production but by Cost of Reproduction.

This distinction, however, is merely verbal for, while it is true that at any given time the cost of production of any given commodity may vary in magnitude from its cost of reproduction, if we look at the process of production in its continuity it will be seen that the cost of production and the cost of reproduction are really the same thing. What does emerge from these considerations is the fact that a long time average of market prices does not necessarily indicate the cost of production of any commodity. In any event it is mere tautology to say that Cost of Production determines Price, seeing that Cost of Production is itself merely an addition of prices plus, of course, the average rate of profit. The whole question has been finally settled, so far as this point is concerned, by the statement, which is generally conceded, that the market prices of freely produced commodities will, in the long run, tend to coincide with their respective costs of production.

There is a tendency in certain quarters to revive this cost of reproduction theory and it appears to me that this arises from the loose way in which the phrase "cost of production" is used by some Marxists.

It is, of course, permissible to use the term "social cost of production" but that is only another name for Value. On the other hand the phrase "cost of production" simply means what the Classical School meant by that term and is the same as Marx's price of production." This statement may be disputed as for instance:—

"A close examination will show . . . that the Marxian cost of production, which forms a part of the price of production, is determined by its value according to the labor theory of value, whereas the ordinary theory of cost of production has no such determining element."

L. B. Boudin, *Theoretical System of Karl Marx*, p. 141

Now, this statement is expressly contradicted by Marx himself both directly and by implication and, in any case, it is absurd. A "price of production" could not be so constructed and if it could it would

be of no use.

As a matter of fact prices are determined by the conditions of the market and tend, in the long run, to conform to price of production which is itself a fact of the market. That is, for competitively produced goods. Commodities produced under monopoly conditions are, of course, subject to the law of monopoly prices. In this latter connection it would be safe to say that 90% of manufactured goods are produced under monopoly conditions. Yes, I know, there is no such thing as a complete monopoly. Such a thing is almost as rare as complete competition.

It does not appear that there is any mechanism by means of which Value can make itself effective in the market.

The price of production however includes as one of its elements the average rate of profit.

The average rate of profit arises as a pro rata distribution of the total profit among the various capitals employed in production. The total profit (including rent and interest) equals the total surplus value, and this again is a part of the total value produced by labor. This, however, is a fact of general significance.

Prices cannot be explained by reference to the Theory of Value. They are to be accounted for by the laws of the market.

What then is the function of the Theory of Value? The function of the Theory of Value is to act as the basis of the Theory of Surplus Value. These two, as a matter of fact, go together. The Theory of Value is a very subtle, very profound and very elaborate way of saying that labor creates all values. If labor creates all values then it creates all surplus values.

As Mr. Boudin very correctly remarks:—

"The 'cumbrous apparatus' of the Marxian theory of value and surplus value was necessary in order to attain the principal object of the science of political economy, the discovery of the laws governing the production and distribution of profits in the capitalist system."

(*Theoretical System* p. 141)

The function and the effect of the Marxian Theory of Value is to convict the capitalist system of exploitation of the working class. The fact that it does so proves it.

Social Confusion

SOCIAL confusion, like commodity production, seems to be on the increase. Just as every new invention of machinery for producing commodities adds to the productive capacity of the workers and hence to the mass of social wealth turned out by them in a given period of time, so does the same invention seem to add to the mass of confusion prevailing in the minds of the members of present day society.

The vast changes in the technique of wealth production rip and rend the settled communities into which they are introduced, and scatter to the four winds many of those who have fondly imagined that they were settled for life among those with whom they had lived for many years, and probably among whom they were born.

Under the capitalist mode of production, goods are produced in the form of commodities, that is, they are produced primarily for sale. These goods must have a use-value ere they can have an exchange-value. So likewise is it with the energy and skill of the productive enterprise of the worker, which, like the basic method of production under the present system, takes on a commodity form. It must have a use-value ere it can have an exchange-value. That is, it must be of some use to those that buy it, ere it can be sold. Here comes the rub. This use-value is not to be measured by the needs of society. Failure to grasp this fact is one of the big

items tending towards the social confusion now prevailing. The ignorance here displayed is the root cause of all the bunk we hear of justice, right, etc. Rather must its use-value be measured by the requirements of capital, and this is something very different indeed from that of social need.

Capitalism is a competitive system, and its prime motive is profit. Without profit no capitalist will (or could for long), produce commodities. Under a competitive system he who produces the cheapest lives longest, and as each capitalist wishes to stay in existence—not as a worker, but as a capitalist—he is forced to produce as cheaply as possible. This means the introduction of labor-saving machinery and the cutting down of the labor-time necessary for the production of commodities, for commodities as a whole exchange in the proportion to the labor-time embodied in them.

When a community grows up around a given industry, it necessarily follows that in times of crises arising from over-production the workers engaged in that form of production must be affected by anything that stops production along that line. At such times we see a huge emigration of laborers seeking some other outlet for their productive activity. Why is this?

It has been pointed out above that the introduction of machinery continually forces more and more workers into the ranks of the unemployed. In other words the use-value of any given line of skill steadily travels along its magnetic line until it be-

comes useless, and therefore of no value. Along with the annihilation of its use-value goes its exchange-value. The wages received by the worker are the price of his commodity which he sells to his boss for given stated periods of time. This price which, on the average, corresponds to its value, is sufficient to keep the worker in good laboring condition from day to day just so long as the capitalist can use him. In other words, what the worker receives in the form of wages is just sufficient to bring him back to work Monday morning to start on another week of arduous toil. This explains why they emigrate in times of slackness. They do so in order to gain the wherewithal to fill the larder.

The introduction of oil burning machinery has played havoc with king coal's domain. Newer and better methods of ocean transportation have invaded the shipbuilding line. In fact, in all lines of industrial enterprise the result of the machine has been the same. It has accelerated the productive activity of mankind; it has brought periodical crises, arising from over-production, to an acute point; it has heightened the antagonism of private ownership and social production, and it forces more and more producers into the ranks of the unemployed. It scatters them around and keeps them on the move. Thus it breaks down the industrial unions which it creates, and it creates confusion and strife in the same magnitude. In a like magnitude it also creates the receptive mind that is open for newer doctrines other than those which capitalism carefully nurtur-

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