

Concerning Value

Selling Price and Value—Divergences in Prices of Production.

BY "GEORDIE"

In the course of this discussion it has been, so far, assumed that the "cost price of a commodity is equal to the value of the commodities consumed in its production," and that, therefore, the price of production is equal to the value in the case of commodities produced by the employment of capitals of average composition. This is not strictly true. It will be sufficient on this point to quote this statement from Marx:

"Now, the price of production of a certain commodity is its cost price for the buyer, and this price may pass into other commodities and become an element of their prices. Since the price of production may vary from the value of a commodity, it follows that the cost-price of a commodity containing this price of production may also stand above or below that portion of its total value which is formed by the value of the means of production consumed by it."

"Capital," vol. iii p. 194.

For example, let us assume that the manufacture of a certain commodity employs a capital of average organic composition. The cost-price, that is, the expenses of production, of this commodity will include the prices of a certain amount of raw materials, of accessories and of machinery. Some or all of these may be the products of capitals having a composition lower or higher than the average and would therefore be bought at prices below or above value. This discrepancy entering into the cost price would pass into the price of production of the finished article, with the result that the price of production would be lower or higher than the value, even in the case of a commodity which is the product of a capital of average composition.

We have also to notice another little matter of some interest in this connection.

Commercial or merchants' capital, of course, brings a profit and, by virtue of the law of the average rate of profit, this profit under competitive conditions, will be, on the average, the same as that yielded by industrial capital. Merchants' capital draws pro rata, according to its proportional mag-

nitude, upon the total fund of surplus value. This it does in spite of the fact that it produces neither value nor surplus value, being merely concerned with the circulation of commodities and the realization of the values produced in the industrial sphere. All this, of course, merely refers to its function of buying and selling. So far as commercial capital is employed in storing, transporting, sorting and packing commodities it is engaged in productive processes in which both value and surplus-value are created through the exploitation of labor. (See Capital vol. III, chap. 18.)

Now, the rate of profit on any given capital is calculated over a certain period, generally one year. On the other hand, certain capitals, by reason of the nature or mode of production of the commodities dealt in, can only be turned over once in a year. There are others which may be turned over many times.

"If," says Marx, "a certain merchants' capital is turned over five times per year, it will add to a commodity-capital of its own value but one-fifth of the profit, which another merchant's capital of the same value, which is turned over but once a year, will add to a commodity-capital of the same value. . . . The same percentage of the commercial profit in different lines of industry, according to the proportions of their times of turn-over, increases the selling prices of commodities by different percentages calculated on their values."

"Capital" vol. iii, page 368.

To illustrate this point: In the examples already given it has been assumed that the average rate of profit was 20 per cent. A merchant employs a certain capital in a business in which it can only be turned over once in a year. For commodities which cost him 100 dollars he will charge 120 dollars. This will give him 20 per cent. per annum on the capital invested. Another merchant invests a similar capital in a business in which, on the average, his capital is turned over five times in a year. This merchant can only charge, for commodities which cost him 100 dollars, a price of 104 dollars. This will give him also a profit of 20 per cent. per annum. The bearing of all this on the present discussion is that there is here a circumstance which may have the effect of still further accentuating a divergence be-

tween selling price and value.

We have so far been dealing with the competitive stage of capitalism. We shall now have to consider the more recent phase in which competition has been largely superseded by monopoly. Before doing so however, it will be well to point out the bearing of the law of value on the foregoing, that is, in what way value governs the price of production and, consequently, selling prices. This is a very simple matter.

In any given period of time there is produced a given quantity of commodities; these have 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) prices must, of necessity, equal the total value. Now, according to the productivity of labor and the intensity of exploitation a certain proportion of the total value will consist of surplus-value. The proportion which the total surplus value bears to the total capital employed gives the rate of profit. The surplus-value is distributed pro rata among the various capitals employed, forming a given percentage called the average rate of profit. The total profit must, therefore, equal the total surplus value. Now, the price of production is formed by the cost price plus the average profit. But the rate of profit is a "function" of value. Therefore the law of value governs prices of production which, in turn, determines selling prices.

"No matter what may be the way in which prices are regulated, the result always is the following:

(1) The law of value dominates the movements of prices, since a reduction or increase of the labor-time required for production causes the prices of production to fall or to rise.

(2) The average profit which determines the prices of production must always be approximately equal to that quantity of surplus value which falls to the share of a certain individual capital in its capacity as an aliquot part of the total social capital. . . . Now, since the total value of the commodities regulates the total surplus-value, and thus the level of the average profit and the average rate of profit—always understanding this as a general law, as a principle regulating the fluctuations—it follows that the law of value regulates the prices of production."

"Capital," vol. iii page 211.

Unemployment

Editor's Note.—This article comprises a leaflet issued by Local (Ottawa) No. 8 of the S. P. of C., and serves as an invitation to the workers of Ottawa to attend classes on History and Economics. Classes are held at 26 Wellington Street, near Post Office, Ottawa. The class director is Comrade Peter T. Leckie.

To solve the unemployment question is the greatest problem confronting society today. Your politicians are ignoring the question in their election addresses.

Premier Meighen led you to believe when he returned from the Imperial Conference at London, that this country was more fortunate than any other country, yet at that time, the unemployed of Montreal had little short of a riot to obtain admittance to the Railway Office fighting with one another to obtain employment because of more men than jobs.

Canada's unemployed is estimated at 600,000 with 13% of trade-union members. Britain's 2,000,000 unemployed in the aggregate, looks worse but Canada's percentage would reach 3,000,000 with a population as large as Britain.

The politicians are playing with the Tariff question. The United States are their example as to tariffs, yet 6,000,000 are unemployed in the country to the south of us. The question is world wide. Belgium has 22% of a membership of 621,000 trade-unionists unemployed. Denmark has 23% unemployed. Sweden has 20% unemployed. France has

1,078,000 unemployed. Poland has 88,000 unemployed.

No matter what form of tariffs exist, or whether it be free-trade Britain, the problem is universal. Therefore, there must be a universal cause.

We have markets glutted with the good things of life, and starvation amidst this plenty.

We have idle men and idle machinery.

We are told to work harder to solve the question, when millions cannot even get a job.

WORKERS! what is your position in society?

You are dependent upon an employing class for a livelihood. According to the political economists, "Labour applied to the natural resources, produces all wealth." The wage given you is less than the wealth you produce. The workers who compose the greatest number of consumers are unable to purchase the wealth produced, therefore, the markets become glutted, and as it is no longer profitable to employ you, workers are thrown into the despairing army of the unemployed. You are given the freedom to starve amidst plenty. That is all liberty means to you.

Under capitalism you are just as much a slave as the plantation negro. You are merely bought for a week, or day, or hour, instead of a lifetime. As soon as one master turns you loose, you go begging for another. The black slave never had to do this.

The Capitalist Class owns you because they own the means whereby you live: The land, mines, factories, natural resources, and all the machinery of production. Hence, your labour is sold like every other commodity on the market to the highest bidder, yet your politicians would have you believe the clause in the labour part of the Peace Treaty—"that labour was no longer to be looked upon solely as a commodity." Today, we are told, the next commodity that must come down is LABOUR. The capitalist class are continually conspiring to keep you down and buy you cheap upon the labour market.

To understand your position more thoroughly, The Socialist Party is opening an Economic and History class, on Tuesday, Nov. 1st, 8 p.m. and every Tuesday all winter, to teach history as a worker should look at it, and economics from the workers' viewpoint. The subject of history will be dealt with from the Economic Interpretation of History of the Karl Marx School.

Economics, like history, will be dealt with from an evolutionary basis:—

Wage—Labour and Capital.

Values—exchange and use.

Money:

Prices, profits, etc.