Economics for Workers

BY PETER T. LECKIE.

VALUE IN EXCHANGE

TREMENDOUS confusion exists on the subject of value, because people are unable to differentiate between value and price. Because the law of supply and demand is a great regulator in the transference of capital and labor from one industry that is giving poor returns to another giving favorable returns, with the fluctuating of prices as a result, some Professors and others believe that supply and demand determines value. If we ask: "What is the value when supply and demand equalizes?" they generally answer, "Cost of production." We will give this law more attention under the subject of Prices.

In pre-capitalistic days, when artisans in any given craft or trade used exactly the same hand tools, to become rich was impossible. There was no competition; the output was fairly well known, and consequently supply and demand were practically equalized. Value and price would be synonymous terms. The commodities would contain the social labor required, and would exchange for commodities containing an equivalent amount of social labor. Therefore the price would not vary with the value.

But with capitalist development, the one employer introduces better machinery than his competitor, and lessens the labor-time necessary to produce, e.g., boots. He may not undersell his competitor at first, but as he becomes over-stocked he is forced to sell at a lower price, driving his competitors, who are unable to introduce new machinery, out of the market into bankruptcy, while the others are forced to introduce the new machinery. Prices then fall by the law of value to the new standard of socially necessary labor time embodied in production. Immediately this new price is reached a newer and still better machine is introduced, and the same process is gone through once more. The capitalist economists admit that labor produces all exchange value, but, as we saw in our lesson on Wage-labor, they fail to explain how labor does it. Practically all economists agree that the quantity of labor constitutes value, i.e., the amount of human labor necessary to produce commodities which are bought in exchange.

Adam Smith says the real price of anything is the toil or trouble of acquiring it. It it costs twice the labor to kill a beaver which it does to kill a deer one beaver would naturally be worth two deer. It is natural that what is usually the produce of two days' labor should be worth double of what is usually the produce of one day's labor. Ricardo confirms the labor basis of value. He shows how cotton would fall in value if fewer men were required to cultivate it or fewer sailors employed in shipping, etc., and would command less of other things in which no saving of labor had entered in production. Some economists say "value is in proportion to cost of production,' which means labor embodied in production.

Rogers in his "Political Economy," p. 17, says: "The reason why a diamond of five carats weight is worth, according to Mr. Emanuel upwards of £300, is due to the fact that on the average, and at the present, an amount of labor equivalent to this sum is expended on the discovery of the gem. The reason why on an average, a quarter of wheat is worth £2 10s to £3 is because it costs as much labor to get this amount of gold as it does to procure a quarter of wheat."

Therefore we see that in two commodities of equal value there exists something common to both The two dissimilar commodities exchange upon an equality of quantity of labor embodied in their producton. Their use-value has no relation to this equality of exchange value, but is based upon the socially necessary labor-time embodied in their production.

When you give so many more yards of cloth for gold than you do for iron it is not because you attach more utility to the gold than you do to the iron. The cost of gold production may be a thousand times that of iron, and yet, as a utility the iron might be of the greatest use. If I give 10 cents for a loaf of bread and $20 for a diamond it is no proof of my estimation of the comparative measure of their utility.

Nevertheless we have noticed in a previous lesson that a given commodity can possess no exchange value unless it also possesses a use-value. Marx is very insistent that a use-value or useful article has exchange value only because human labor in the abstract has been embodied or materialized in it. He says: "As exchange values, all commodities are only definite masses of congealed labor time."

Practical experience shows us that frequently, when the value of a commodity falls, more of these same commodities are used, and surely no one would say that the increased use implies that it is less useful than when less of it was in demand; for rather are we inclined to maintain that the demand increases with the usefulness of the commodity. If the value falls as its usefulnes increases, e g., motor cars, trucks, etc., we are bound to admit that exchange value has nothing to do with its utility. The problem is to find out why boots, hats, etc., sell at a normal price of say $5. We assert that it is because the labor socially necessary spent in producing these things constitutes their value. If a hat takes four hours in production it has four hours value, and will exchange for an article that has taken four hours to produce; if the gold represented in five dollars has taken four hours to produce, the boots and hat would express the money price of five dollars. This phase of the question we will discuss under the lessons on Money and Price.

We are still having professors with newer fads upon value. A professor, Anderson, in his book "Value of Money," dated 1917, says the utility and also labor theory of value are all wrong. We agree with him on utility. He says: "If he has no money he may desire a thing ever so intensely without giving it value." He says, "The labor theory of value has broken down and has been abandoned." On page 66: "Ricardo developed a casual theory of value, quantity of labor being the basis of the absolute value of goods, their relative values depending on the relative amounts of labor involved in the production of each. I shall not go into the matter fully, but shall call attention to the rock upon which the system split as Ricardo himself admits. A greater or less proportion of capital works with labor in producing different things, and the value of the product varies, not merely with the labor but also with the amount of capital and the length of time the capital is employed. How say than that labor alone governs value? . . . James Mills tried to do it by making capital merely stored up petrified labor, which gives up its value again in production. But this does not meet the difficulty, because there is a surplus value over and above that explained by all labor including the labor which produced the machinery and the labor that produced the raw material that entered the machinery, etc." This is where Marx comes in and explains that the machinery and raw material only transfer their own value, but we will take this up in our lesson on profit.

Anderson shows us what he says creates value, by a chart on page 41 of his book, headed with this: "The value quality is psychological in character. It rests in the human minds. But not in the minds of individuals, thought of separately. It is a complex of many individual mental activities, highly institutionalized and including legal and moral virtues, hopes and beliefs and expectations, as well as immediate intensities of men's wants for consuming goods."

The above conglomeration of language is hard to beat.

P. 145: "Money as a tool of exchange enables men to create values."

He gives the stock exchange as an illustration. Some one has said it takes a fool to make a wise man look foolish. This reminds me; when I was a boy at school I visited a circus and the three clowns performed a trick that would make this professor look foolish. One of them had a penny; he owed number two; number two owed number three and he owed number one two pennies. This one penny was passed around twice, paid a six-penny debt and number one clown had still the penny. How much wealth was created in this exchange? It was, as the sergeant would say, About turn; as you were.

Value is determined by the socially necessary labor embodied in production. Why do we emphasize socially necessary? because professors take the attitude which I experienced in one of their classes, that Socialism is impossible, as shown by Robert Owen's scheme, because if a man made a table in four hours while another produced his in two hours, they received labor hour tickets and the man who made the table in four hours was able to buy two tables of the other: therefor there was no incentive for the good worker. In Owen,s time, capitalism not having developed, his ideas were Utopian, but the experience of the handloom weavers with the introduction of the power loom shows the fallacy of the above reasoning.

We know that the skill or speed of the individual worker today does not determine the value.

Marx tells us (Vol. 1, 220) "In the creation of surplus value it does not in the least matter whether the labor appropriated by the capitalist be simple unskilled labor of average quality or more complicated skilled labor. All labor of a higher or more complicated character than average labor is expenditure of labor—power of a more costly kind, labor power whose production has cost more time and labor and which therefor has a higher value than unskilled labor."

Engels, in his "Landmarks of Scientific Socialism," dealing with the value fallacy of capitalism says: "Under capitalism value is not measured by labor. It is measured by money. The value of the metal in the coin has no genetic relation to the value of the coin as a standard of price, this being fixed by law. This leads the capitalist to imagine that money alone is the real measure of value. He does not understand that the value of the precious metal, form which money is coined is itself determined by the quantity of labor required in its production."

If we always follow Marx's theory of value and treat gold as a commodity, subject to the general laws of all commodities, we will be able to deal in an intelligible manner and form a clear analysis of the problem of fluctuating prices, and be able to differeniate prices from value. We will take this up with prices. I once saw an article by a Priest endeavouring to poke fun at Marx on qualitative and quantitative value, saying that Marx dealt so much with iron it showed his nationality as belonging to the junk shop fraternity. On this subject Marx is clear, showing that 100 dollars worth of iron equals ten dollars worth of gold; that the use values are different qualities, but as exchange values they are different quantities. Therefore, when we leave out the consideration of use values of commodities they have one common property left, that of being products of labor.

In Vol. I. p. 45, "The quantity of labor, however, is measured by its duration; and labor-time in its turn finds its standard in weeks, days and hours.

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