

# On Prices <sup>6 factors</sup>

"A law of Social Science, or a Social Law, is a statement that a certain course of action may be expected under certain conditions from the members of a social group. Economic Laws are those social laws which relate to branches of conduct in which the strength of the motives chiefly concerned can be measured by a money price."—Marshall, Principles of Economic, 3rd ed., p. 105.

"Magnitude of value expresses a relation of social production, it expresses the connection that necessarily exists between a certain article and the portion of the total labor-time of society required to produce it. As soon as magnitude of value is converted into price, the above necessary relation takes the shape of a more or less accidental exchange-ratio between a single commodity and another, the money-commodity. But this exchange-ratio may express either the real magnitude of that commodity's value, or the quantity of gold deviating from that value, for which according to circumstances it may be parted with. The possibility, therefore, of quantitative incongruity between price and magnitude of value, or the deviation of the former from the latter, is inherent in the price-form itself. This is no defect, but on the contrary, admirably adapts the price-form to a mode of production, whose inherent laws impose themselves only as the mean of apparently lawless irregularities that compensate one another."—Capital, vol. 1, p. 114.

"This balance between goods in respect of their magnitude as output of human labor holds goods indefeasibly, in point of the metaphysical reality of the life-process, whatever superficial (phenomenal) variations from this norm may occur in men's dealings with the goods under the stress of the strategy of self-interest. Such is the value of the goods in reality; they are equivalents of one another in the proportion in which they partake of this substantial quality, although their true ratio of equivalence may never come to an adequate expression in the transactions involved in the distribution of the goods. This real or true value of the goods is a fact of production, and holds true under all systems and methods of production, whereas the exchange value (the "phenomenal form" of the real value) is a fact of distribution, and expresses the real value more or less adequately according as the scheme of distribution in force at the given time conforms more or less closely to the equities given by production. If the output of industry were distributed to the productive agents strictly in proportion to their shares in production, the exchange value of the goods would be presumed to conform to their real value. But, under the current, capitalistic system, distribution is not in any sensible degree based on the equities of production, and the exchange value of goods under this system can therefore express their real value only with a very rough, and in the main fortuitous, approximation."—Veblen, Place of Science, etc. page 420.

FOR the purpose of the present enquiry it is to be understood that the Value (magnitude of value) of any commodity is determined by the labor-time socially necessary to produce it "under the normal conditions of production, and with the average degree of skill and intensity prevalent at the time;" and that the Value, so determined in the field of production, may be thought of as manifesting itself in the sphere of circulation in its phenomenal form—exchange-value. Further, exchange-value is to be considered as the "quantitative relation or proportion in which values in use of one sort are exchanged for those of another sort," that is the quantitative-ratio between commodities in exchange. When exchange-value is expressed in terms of the money-commodity, which is now invariably the case, it is known as Price.

Since, however, there exists, and must exist by virtue of the operation of the Marxian law of value itself, a "quantitative incongruity between price and magnitude of value," so much so that, as Veblen puts it, prices "depart erratically and incontinently from the proportions that would-legitimately be given them by the real values whose only expressions they are," it is clear that the immediate determinants of price are to be sought in the field of circulation, that is to say, in the market.

Furthermore, seeing that what is actually transferred in the act of sale is the right of property in the object sold any consideration of the laws governing prices must accept, at least for the purposes of the enquiry, the institutional fabric of existing society, that is, a society of free producers practicing a complex form of division of labor and enjoy-

ing the legal rights of property and contract.

Value is an attribute of commodities and commodities only, that is of labor-products which have been produced for sale. Price, on the other hand, concerns everything bought and sold and, therefore, the law of prices, if such be discoverable, must cover the relations of exchange of many things which are not commodities at all, such things as land and natural agents, stocks and shares, credit documents and claims on wealth of many kinds, unique objects, the rate on money lent and so forth. Prices, therefore, are facts of the market which arise from the action of factors operative in the market. There are a number of such factors and the market price at any given time is the resultant of their combined action. The factors concerned in fixing the price of any given object are found to be: The demand for the object; the supply of it actually placed on the market; the possible supply may also have some effect; the cost of production; the purchasing power of money and the existence or otherwise of taxes and tariffs. All of these factors are variable and their relative variations take effect in changes of price.

This question is usually dismissed by a reference to the so-called Law of Supply and Demand which is often stated in a very misleading manner and there appears to exist, very generally, considerable misunderstanding on the whole matter.

We find, in general, that an increase in price will result from an increase in the quantity demanded; a decrease in the quantity offered, actual or possible; an increase in the cost of production; a decrease in the purchasing power of money and, in most cases, by the imposition of a tax. The opposite effect, of course, is to be expected from a decrease in the demand, an increase in the supply and so on conversely.

On the other hand we find that prices have a reciprocal effect on the quantity demanded of any object, on the quantity which will be supplied and even on its cost of production.

Finally the price arrived at tends to be such that the quantity of any article demanded equals the quantity offered.

It will be necessary to take up separately each of the factors concerned in the formation of prices. Next issue I shall consider the question of demand.

GEORDIE.

## THE EVOLUTION OF INDUSTRY.

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town, like the village before it as an economic unit, was not wide enough to contain all these elements for whom greater opportunities were presenting themselves.

From the earliest times, English wool had been valued on the Continent both for its quality and because France, Flanders, and what is now Germany, had been so often and so continuously the scene of long-drawn-out wars, that sheep-rearing there in large numbers had been almost impossible. In England, comparative peace had reigned from the time of the Norman Conquest, an important factor to be taken into account when considering English economic development. By the 15th Century wool had become the chief export commodity, and the English landowners, scenting greater profits from sheep-rearing than could be obtained out of ordinary husbandry, commenced on a large scale those operations which had before that time been proceeding but slowly, those operations which had such a disastrous effect upon large numbers of the English peasantry. Great tracts of arable land were enclosed, villages depopulated, families turned adrift, the holdings of the agricultural population, together with the common lands, upon which the people had had certain claims from time immemorial, were given over to the rearing of sheep. Robbed of their holdings, thousands of dispossessed labourers roamed about the country, and were brutally punished for being without the means of livelihood—for being

without the means that had been taken from them—punished by the very class that profited by their misfortunes.

(To be continued.)

## HERE AND NOW.

We are enduring in these parts what is termed "Safety Week." Safety week is not necessarily a week of safety, but it is a period of seven days marked off on the calendar wherein everybody is supposed to register a vow that he or she will not knock down or be knocked down. This, of course, in the matter of weapons, has reference to the war-like nature of the automobile. Otherwise there is no connection between Safety Week and the No More War demonstrations.

Thus we get the idea, through reading the detailed items featuring fatalities on the street that there is eternal hope that destruction may be avoided or delayed by focussing attention on a serious matter. And so we suggest that the idea of a Safety Week, Here and Now, would perhaps tend to prevent the world at large from running us down. Safety lies in numbers, they say, and we would add, big numbers:—

Following \$1 each: R. Near, H. T. Spencer, G. R. Williams, W. Power, P. M. Christopher, T. Faulston, J. Adie, A. Hollingshead, J. Sinclair, P. A. Askew, J. Young.

Following \$2 each: H. T. Miles, Wm. Seyer, J. A. McInnes.

J. Musgrave \$1.25. J. H. Richardson \$2.50. G. Kilpatrick \$2.15.

Above, Clarion subscriptions received from 1st to 15th August, inclusive, total \$22.90.

## CLARION MAINTENANCE FUND.

J. H. Richardson \$2.50; "B. L. J." \$2; J. A. McInnes \$1; St. John Comrades (per S. E. White) \$5.50; Alex. Shepherd \$1; P. A. Askew \$2.

Above, C. M. F. receipts from 1st to 15th August, inclusive, total \$14.

## VESTED INTERESTS.

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have little. Such distribution of power may or may not be of value for survival or social welfare. The "vested interests" of these individuals thus favored by custom do not actually appear as inimical to change, possibly because the processes of change among primitive peoples are rare. The resistance of the "vested interests" to change is more evident in modern society.

Those who have "vested interests" derive a differential advantage under existing conditions and if they are likely to lose this advantage to others because of changes in the situation, then the "vested interests" will offer a resistance to change. There are of course "vested interests" in various social conditions, other than the purely economic. There are "vested interests" in schools, in churches, in political organizations, and all resist changes that shake their interests.

—F. W. Ogburn in "Social Changes."

While MacDonald and Herriot were conferring in London troubles were accumulating behind their backs. The shadow of Poincare has overcast Herriot's mind ever since he took office, and neither on the Ruhr nor on domestic questions such as the amnesty law has he acted as a free man. MacDonald has imperial worries. The Sudan question has stirred since peace-conference days, and Premier Zaghlul is on his way to London to seek an understanding. Egypt, which has provided and paid for the bulk of the army which has kept the Soudan quiet, is not satisfied with the present status of the "condominium" in which she shares the name but not the reality of rule. For England the Cape-to-Cairo route is at stake, and with it a measure of imperial prestige; there is the usual white-man's-burden claim of solicitude for the natives; and the British capitalists who have invested in cotton developments dependent upon the new irrigation projects are active.

—The Nation, N.Y.