

Concerning Value

BY "GEORDIE"

THE following is the continuation of an article I left unfinished some six months ago* At that time I closed with the quotation here given which is repeated in order to ensure continuity.

"No matter what may be the way in which prices are regulated, the result 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.

The explanation here given has excited considerable comment to which it is my intention to devote some little consideration, as it helps to illustrate one of the points I have been driving at in this particular article.

Prof. Bohm-Bawerk, for instance, has this to say:

"There can clearly only be a question of an exchange relation between different separate commodities among each other. As soon, however, as one looks at all commodities as a whole and sums up the prices, one must studiously and of necessity avoid looking at the relations existing inside of this whole. The internal relative differences of price do compensate each other in the sum total. For instance, what the tea is worth more than the iron, the iron is worth less than the tea and vice versa.

"In any case, when we ask for information regarding the exchange of commodities in political economy, it is no answer to our question to be told the total price which they fetch when taken all together, any more than if, on asking how many fewer minutes the winner in a prize race had covered the course than his competitors, we were to be told that all the competitors together had taken twenty-five minutes and thirteen seconds. . . . It is no answer at all; it is simple tautology. For, as every economist knows, commodities do eventually exchange with commodities—when one penetrates the disguises due to the use of money. Every commodity which comes into exchange is at one and the same time a commodity and the price of what is given in exchange for it. The aggregate of commodities, therefore, is identical with the aggregate of the prices paid for them; or, the price of the whole national produce is nothing less than the national produce itself. Under these circumstances, therefore, it is quite true that the total price paid for the entire national produce coincides exactly with the total amount of value or labor incorporated in it. But this tautological declaration denotes no increase of true knowledge, neither does it serve as a special test of the correctness of the alleged law that commodities exchange in proportion to the labor embodied in them."

—(Bohm-Bawerk, Karl Marx and the Close of His System, pp. 72-75).

"A law of value," says Prof. Skelton, summing up the above, "has to do only with explaining the proportions in which separate commodities exchange with one another, not with a total in which all differences are averaged out." (Socialism, a Critical Analysis, p. 132).

The exasperation of the worthy professor will be readily understood when we consider that he was of opinion that:

"Value grows not out of the past of goods but out of their future. . . . Value cannot be forged like a hammer, nor woven like a sheet. . . . What production can do is never anything more than to create goods in the hope that, according to the anticipated relations of demand and supply, they will obtain value."—(Bohm-Bawerk, Capital and Interest, p. 134.)

That is to say that value is generated in the process of circulation; that it is the exchange ratio between commodities determined by the conditions of the market and, by reason of the mechanism of the market, necessarily expressed in terms of money.

* See Western Clarion 16th Nov. 1921.

Which means that, to all intents and purposes, it is a price. For Marx, on the contrary, value is generated in production. Necessarily so, seeing that it is created by labor. It would appear that Marx and Bohm-Bawerk have something entirely different in mind when they use the term "value."

It is usual to define exchange-value as being "the quantitative ratio in which any two goods or services are exchanged." (Prof. R. T. Ely). "In fact," says Marx, "in speaking of a value, the value in exchange of a commodity, we mean the proportional quantities in which it exchanges with all other commodities." (Value, Price and Profit).

Now a ratio or proportion is neither a thing nor a quality of a thing. It is a quantitative proportion between two or more things or between the amounts of some substance or quality which is common to those things. Further, it does not exist until the things are brought into relation to or compared with each other. That is to say that exchange-value is a fact of the market. It is a matter of perception and can be observed and verified. This brings exchange-value into the same general category as price, seeing that both emerge in the field of circulation as distinguished from that of production.

If now there exists, as I hope to show later on, a difference between the concepts of "value" and "exchange-value," then the statement just quoted from Bohm Bawerk, however correct it may be in itself, entirely misses the point. Speaking to this question Prof. Veblen has this to say:

"Marx's critics commonly identify the concept of 'value' with that of 'exchange-value' and show that the theory of value does not square with the run of the facts of price under the existing system of distribution, piously hoping thereby to have refuted the Marxian doctrine; they have for the most part not touched it."—(Veblen "The Place of Science," etc., p. 422.)

It will be remembered that I pointed out that, at one time, Value, Cost of Production, Exchange-value and Price were, to all intents and purposes, identical, so much so that they were not differentiated. I also indicated a growing divergence between exchange-value (as measured in terms of labor-time) and Price. This led to the formulation of the Cost of Production theory. Prices, in obedience to the conditions of the market (supply and demand) were said to fluctuate about a point determined by the cost of production. At the same time, in strict accordance with the point of view prevalent at the period, the classical economists were wont to impute to the products of labor a "natural" value with which, it was inferred, the market value would tend to coincide, assuming, of course, normal conditions and a sufficient extent of time. Any such coincidence, or lack of it, could not however, be verified seeing that this "natural" value was purely conceptual in its nature. I have already quoted Adam Smith in this connection (see, however, p. 233 vol III of Capital) and as regards Ricardo I find that Marx says "that Ricardo (who doubtless realised that his prices of production differed from the value of commodities) says that the inquiry to which he wishes to draw the reader's attention relates to the effect of the variations in the relative value of commodities, and not in their absolute value." Capital vol. III p. 211.

We may describe all this as a condition of affairs in which, if we may so speak, we find Price, which is a percept—the immediately obvious thing, occupying a place on the right and the concept Value just taking form on the left while exchange-value, resting on Cost of Production, occupies a central position.

At this point Marx takes up the as yet nebulous concept of value and gives it consistency, by pointing out its nature as a "social reality," and validity by demonstrating its serviceability in analysis. Usefulness, by the way, is the only justification for

the creation of such concepts. He further showed the increasing divergence between value and price of production, due to the development of the competitive phase of capitalism, more specifically to the increasing tendency to an average rate of profit in which, moreover, the growing merchant class participated and to the extension of the credit system.

More recently, we observe that the passing of the competitive stage and the development of the monopolistic phase of the capitalist system has the effect of widening the gap between cost of production and price and driving the latter still further to the right.

In view of the line of development here set forth it was, perhaps, only to be expected that the more recent economists should have lost sight of the concept of value and have concentrated their attention on the price-form. "For them," says Marx, "there exists neither value, nor magnitude of value, anywhere except in its expression by means of the exchange relation of commodities, that is, in the daily list of prices current." Capital p 70.

The resulting investigation of prices and of the factors concerned in their formation and, more particularly, the analysis of demand, led to the formulation of that group of concepts generally referred to as the "marginal utility" theory. A more detailed consideration of this theory will, of course, be necessary when we come to discuss prices. In the meantime we may note that the mechanism used, namely, Demand, Supply and Cost of Production is essentially the same as that employed by Marx when discussing the formation of prices, necessarily so, seeing that these constitute the facts of the market.

If, therefore, it should be found that there is anything in the work of the Austrian School, of Jevons and Marshall in England and of Clark and others in America that may be useful to us, and it is my opinion that there is, then there is no reason why we should not avail ourselves of it. In any case the least we can do is to study the science not only from our point of view but also from that of the enemy and, if possible, carry the war into Africa.

On the other hand the concept of value was dropped by the bourgeois economists because, so far as they were concerned, it has not only lost its utility as an instrument in explaining price but had acquired a positive degree of "disutility," as Jevons would say, through its association with the Marxian system, particularly in view of the fact that the only bridge between Value and Price is by way of the law of surplus value, a category which cannot be admitted by orthodox economics.

BASKET PICNIC

To be held at Second Beach, Vancouver, B. C.
SUNDAY, 23rd JULY.

Under S. P. of C. Auspices.

The success of the last picnic held by Local Vancouver No. 1, has prompted the cry for another.

So, another is to be held on Sunday 23rd July, at the same place as before.

Directions: Assemble at Second Beach, Stanley Park at 1 p.m. Bachelors are requested to bring fruit. The family baskets will carry whatever else is necessary to the grub supply for an enjoyable day's outing. COME ALL!

NOTICE

Local (Vancouver) No. 1

Next business meeting of Local No. 1 will be held (July 18th) in Room 12 (First Floor) Flack Block, N. E. Cor. Hastings and Cambie Streets.

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CLARION MAINTENANCE FUND

C. H. Lake, \$5; Jim Lott, \$5; Walter Wilson, \$2.

C. M. F. receipts from 29th June to 13th July, inclusive—total, \$12.