Concerning Value

By H. M. Bartholomew.

Article No. 4.—Value and Price.

It will have been observed by the careful reader of these articles, that nothing has so far been said regarding the price of commodities. This despite the fact that "price" is regarded by most people as the synonym of "value."

The fact of the matter is that there is an important difference between value and price, a difference which must be recognized if we are to gain any clear concept of exchange-value.

> "The truth in relation to the theory of value is disguised from ordinary observers to-day by the phenomena of price."—Hyndmans "Economics of Socialism," p. 54.

We are so accustomed to regard the current market price of a commodity, to study the value of that which we desire to sell or to buy in relation to the vicissitudes of this market-price, that we are apt to lose sight of the fundamentals of true exchange value.

What do we mean by price? What relation has the price of a given commodity to its value?

The relations of exchange of all commodities are expressed in some one commodity—gold, for example. Cowries, hides, iron, copper, salt, bullocks, tobacco, silver, gold, and a variety of other articles have all performed, and some still perform the functions of a common medium of exchange and standard of value. The majority of these medii of exchange have been discarded, being much too cumbersome for the needs of modern commerce. (i.)

Gold has become the common measure of value and of currency in the existing social order. The advantage of this system in preference to the old system of barter and exchange can best be appreciated when we remember the tremendous drawbacks to the latter. These are ascribed by Jevons to three factors:—

(1) Want of confidence;
(2) Need of a measure of value;
(3) Lack of means of subdivision. (ii.)

Or, to quote the famous passage of Mill:

> "If a tailor had only coats and wanted to buy bread or a horse, it would be very troublesome to ascertain how much bread he ought to obtain for a coat or how many coats he ought to obtain for a horse."—"Principles of Political Economy, bk. 3,: ch. 7.

Thus arises the employment of gold as the money standard of value.

Regarding money Prof. F. A. Walker tells us that:

> "Money is that which passes freely from hand to hand throughout the community in final discharge of debt and **full payment for commodities** being accepted equally without reference to the character or credit of the person who offers it, and without the intention of the person who receives it to consume it or enjoy it or apply it to any other use than in turn to tender it to others in discharge of debts or payment of commodities."—"Money, Trade and Industry," p. 4.

In the above quotation the reader should note the passage which the present writer has emphasized. Gold, the common money-standard of the existing social order is the common medium of exchange, the common standard of value by which "full payment for commodities" is made.

It is essential that we examine this common medium of exchange before we can arrive at an accurate conception of the relation of price and value.

Money, as we have hinted above, facilitates the processes of exchange. But it does more than this. Prof. J. S. Nicholson, writing in the "Encyclopaedia Britannica," says:

> "It is better to regard the functions of money as being only three in number, viz., (1) the common medium by which exchanges are made possible; (2) the common measure by which the comparative values of the exchanged are estimated, and, (3) the standard by which future obligations are determined."— Sect. "Money."

We see, then, that money makes possible the exchange of commodities of different character, that it enables the contracting parties to measure the values of those commodities relatively to each other. It is especially important to remember that money is the common measure of value. Says Adam Smith:

> "At the same time and place money is the exact measure of the real exchangeable value of all commodities."—"Wealth of Nations," bk. 1, ch. 5.

Prof. Stanley Jevons, speaking of gold as the medium of exchange says:

> "The chosen commodity becomes a common denominator or common measure of value in terms of which we estimate the values of all other goods."—"Money," p. 5.

Mill tells us that:

> "The value of a thing is its general power of purchasing, the command which its possession gives over purchaseable commodities in general."—"Principles of Political Economy," bk. 3, ch. 7.

Money enables us to estimate the relative values of widely different commodities. It is, in short, the money equivalent and expression of two or more different use-values.

Thus far our analysis has been more or less of an easy character. But it is at this point that we arrive at the difficult portion of our analysis, and find the inadequate results of the investigations of the members of the classical school of political economy.

It will have been noted by those of my readers versed in economic science that no mention has been made of the most important phase of gold as a common medium of exchange. I refer, of course, to the important fact that **gold, or any form of money, can only become a common medium of exchange and measure of value by virtue of the fact that it is, in itself, a use-value.**

Primarily gold is a useful commodity, and as such, social human labor power on the average has been embodied therein in just the same way as in other commodities. Moreover, the value of gold varies according to the ease or difficulty with which it can be procured. Scarcity simply means difficulty of attainment, a greater quantum of social human labor power necessary for its production, and a consequent rise in its exchange-value in relation to all other commodities. In other words, **the value of gold, as money, is determined, like the value of all other commodities, by the quantum of social human labor power which is essential to its production.**

Gold is the common measure of value in exchange simply **because it is the embodiment of human labor power, and** can be conveniently employed as the common expression and measure of its fellow-commodities.

Marx states that:

> "The first chief function of money is to supply commodities with the material for the expression of their values, or to represent their values as values of the same denomination, qualitatively equal, and quantitatively comparable. It thus serves as the universal measure of value."—"Capital," vol. 1, p. 106.

Then he tells us:

> "But only in so far as it is itself a product of labor, and therefore, potentially variable in value, can gold serve as a measure of value."—Ibid., p. 110.

Whilst later he states:

> "Just as when we estimate the value of any commodity by a definite quantity of the use-value of some other commodity, so, in estimating the value of the former in gold, we assume nothing more than that the production of a given quantity of gold, costs, at the given period, a given quantity of labor."—Ibid., p. 111.

This money expression of the value of any given commodity is its market price, is the "general power of purchasing" over other commodities which its possession gives to the possessor. The quantity of social labor power embodied in definite quantities of the whole series of commodities on the world-market is expressed in a certain weight of gold, and this certain weight of gold, represents the money-equivalent of those commodities, or their market price.

But we have seen, previously, that the value of this money-equivalent—gold—varies according to the greater or less cost of obtaining it, or, to say the same thing in economic terms, the exchange value of gold varies in proportion to the quantum of social labor power of which it is the embodiment. But if the value of gold varies in relation to other commodities, then it follows that prices vary also. If the cost of production of gold rises, the exchange value of gold increases in relation to other commodities, and there is a general rise in prices all round. But if, as happened in 1849, the cost of production of gold decreases, then it follows that there is a fall in prices all round.

But this does not mean that there is a fall in the relative values of commodities to one another all round. That is an impossibility. A general fall in prices is a matter of common experience: but (from this viewpoint) **a general fall in values nobody ever saw or will ever be able to see.**

We have arrived at the point in our analysis when we can gain a bird's-eye-view, so to speak, of our subject.

In this and the previous articles we have arrived at the following conclusions:—

That human labor power is the sole creator of various comodities;

That a commodity possesses value only when it is the material embodiment of labor-power, and is socially useful;

That the exchange-value of any commodity can be only expressed in relation to other commodities;

That the value of an article is determined and measured by the quantity of social human labor power in the abstract of which it is the material embodiment;

The gold (iii.) is employed as the common medium of exchange and measure of value, and the value of gold is determined in the same way as that of all other commodities;

That price is the gold-name, or money-name for value;

And that all prices may fall: all values cannot possibly fall.

Having examined, with absolute impartiality, the theory of value which forms a basis of the principles of Socialism, let us, in the following articles, analyse, with equal impartiality, the several theories which have sprung into existence from time to time regarding Value.

(i.) Consult Bagehott's "Economic Studies" and Howe's "Evolution of Banking."

(ii.) This is dealt with, in a fairly comprehensive manner, in Jevons' "Money and the Mechanism of Exchange.'

(iii.) I have dealt with gold as the sole medium of exchange and measure of value in order to simplify the subject. My remarks re gold apply, with equal force, to silver or any other money-form of value.

Next Article: "Supply and Demand."

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