Concerning Value

By H. M. Bartholomew.

Article 7.—"Supply and Demand"

WE come, now, to a consideration of a theory of Value which occupies, in the popular mind, a unique and prominent position. The theory of "Supply and Demand" is at once so simple and the facts of every-day experience are in such apparent accord with it that this theory summarizes the average man's knowledge concerning value.

Lord Lauderdale, in his "Nature and Origin of Public Wealth" (a book written over two centuries ago) states the case for "Supply and Demand" in a clear and forcible fashion. He tells us that:

> "With respect to the variations in value of which everything valuable is susceptible, if we could suppose for a moment that any substance possessed intrinsic and fixed value, so as to render an assumed quantity of it constantly, under all circumstances, of equal value, then the degree of all things, ascertained by such a fixed standard, would vary according to the proportion betwixt the quantity of them and the demand, and every commodity would of course be subject to a variation from four different circumstances."—Ibid. p. 15).

He then goes on to analyse those "four different circumstances" and finds that "we express the value of any commodity" by the relation of "supply and demand."

If we turn to a recent exponent of political economy, Prof. Nicholson, we shall find him stating:

> "The general law of demand may be stated: **As the price falls (other things remaining the same) the quantity demanded increases, and, conversely, as the price rises, the quantity demanded decreases."**
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> "The law of supply in its general form is the exact counterpart of the law of demand. **As the price rises (other things remaining the same), the quantity offered for sale decreases, and, conversely, as the price falls the quantity offered increases."**
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> "If we examine the law of demand and the law of supply we arrive at the equation of demand and supply, which may be formally expressed: In any market the price will be so adjusted that the quantity demanded will be exactly equal to the quantity offered at that price. The force by which the adjustment is made is competition."—("Principles of Political Economy" vol. 2, bk. 3, ch. 4.

A careful analysis of the above statement reveals the fact that no mention is made of exchange-value. One of the latest exponents of bourgeois economy tells us that "price" is determined by the relation of supply to demand. Since the searching analysis of Marx, economists have been exceedingly careful to differentiate between price and value—at least in theory. For instance a recent writer, J. A. Hobson, says that:

> "So long as supply exceeds the demand, **the price falls, so long as demand exceeds supply the price rises. The market price is at the point where supply is equal to demand."** — —"Science of Wealth," p. 200. (Emphasis mine).

Nevertheless, all through this book and many others of a similar character, the words "value" and "price" are interchangeable, and are treated as synonymous. This is especially noticeable in the first chapter where Hobson, on the same page first confines wealth to "marketable articles taken at their market value" and then tells us that he is "reckoning wealth by market prices."—Ibid. p. 11.

This confusion of terminology does not lend itself to clear thinking. When a prominent publicist confuses "value" and "price" it is small wonder that the average man and woman considers that the value of any given commodity is determined by the "relation of supply and demand."

In a previous article we saw that price is the gold-name, or the money name for value; that all prices may rise or fall, but that all values cannot do so; and that gold is a medium of exchange and a measure of value.

But let us examine this theory of "supply and demand" a little closer. Is the exchange-value of a commodity determined by supply in relation to demand?

Supply and demand is not an inherent property of a commodity. It is not something contained in a commodity, nor is it something in any way connected with its production. **In other words, the properties of a commodity are in no way affected by supply and demand. There is no "common something" embodied in a commodity which can be called its supply and demand, for the very simple reason that no commodity contains in itself, the conditions of its supply; and it does not contain its demand.**

Moreover, if we approach this question from another viewpoint we shall find supply and demand function from opposite directions. When the supply increases then exchange value falls, when the supply decreases then exchange value rises. But suppose that supply and demand are normal, or cover each other. In such conditions what determines the value of a commodity? If the "Vulagr economists" are correct in their reasoning then in such circumstances, when supply and demand balance each other, the value of a commodity would be nil. We know, however, that commodities always possess some value in exchange, and it follows therefrom that there must be something which determines value when supply and demand balance each other. And it also follows that if there is a "common something" which determines the exchange-value of a commodity when supply and demand no longer function, **that supply and demand cannot determine the exchange-value.**

We must find this "common something" contained in a commodity and which is at once **the source and the measure of its value irrespective of the relations of supply and demand.** We have seen, in our previous analysis, that there can be only one "common something"—social, abstract labor.

If, then, the exchange-value of a commodity is determined and measured by the quantum of social human labor embodied in that commodity, it is simply puerile to point out that "supply and demand" is the "common something" wherein may lie its value.

Nor should we forget the important fact, which is **illustrated by thousands of examples in modern production, that the same commodity, under identical conditions of supply and demand will possess different values at different times, due to a change in the conditions of production. Indeed, practical experience as well as logical reasoning reduces the theory of "supply and demand" concerning value to absurdity.**

In spite of these facts, however, there is a remarkable concensus of opinion that even if supply and demand do not determine and measure exchangevalue, that supply and demand must have some influence upon that value. But the confusion to which this consideration is due, is apparent, and not real. It is due, as stated above, to a confusion of terms, to the loose employment of "value" and "price" as synonyms.

We have already explained that value and price are different and distinct categories. If we remember that distinction we shall at once realize how great is the mistake of those who persist in stating that supply and demand **influence value. Supply and demand operate in the sphere of circulation; the value of a commodity is determined in the sphere of production. The competition between buyer and seller in the sphere of commodity-circulation influences the price. This price oscillates about the value as its normal resting place, and to which it constantly gravitates. Mill, despite his inveterate eclecticism and his self-contradictions, sees something of this when he tells us that "exchangevalue gravitates** towards "Cost of Production," despite "the perturbations of value" due to "supply and demand," yet:

> "The condition of stable equilibrium is when things exchange for each other according to their cost of production, or, in the expression we have used when things are at their Natural Value."—"Principles of Political Economy," bk. 3, ch. 3, No. 2. (Emphasis Mills').

Thus, after many pages of self-conmmendation and self-contradiction, we find Mill stating that value is the "point of gravitation" round which oscillates the price. He argues from false premises, he employs "value" and "price" as synonyms, he asserts and contradicts, but, in the long run he admits that there is a "condition of stable equilibrium" when "Things are at their Natural Value." This "Natural Value" which is the normal (and "stable") condition is determined by "cost of production." This favorite phrase need not alarm us, for he tells us that:

> "The component elements of Cost of Production have been set forth in the first part of this inquiry. The principal of them, and so much the principal **as to be nearly the sole, we found to be labor. What a thing costs to its producer is the labor expended in producing it"**.—Ibid. bk. 3, ch. 4.

And this "wonderful" conclusion after many pages of "scientific" outrages! It is something for Mill to concede, however, that supply and demand do not regulate "Natural Value" (a cumbersome equivalent for exchange-value), but that this value is determined by "the labor expended in producing it." But when he adds that "the perturbations of value" (by which he means the changes in price) gravitate towards this "Natural Value," then his concession knocks the foundations from under his own elaborate theory of value and silences those disciples who gravely tell us that "value is determined by supply and demand."

Leaving Mill and his "natural price" to rest in peaceful silence, we find that supply and demand influence the price of a commodity, that this price oscillates about the value as its normal resting place. That is why, when supply and demand cover each other, price and value coincide. That is why different articles under the same conditions of supply and demand exchange in an infinite number of ratios to each other. Finally, that is why a given commodity will, under the same conditions of supply and demand, have different prices if there has been a change in the methods of production.

Despite the noisy vulgarity of bourgeois economists, the Marxian theory of value still stands supreme. Neither "final utility" nor "supply and demand" can upset that theory. By following these vulgarities we land in confusion, and are forced to adopt conceptions of social progress which land us in the camp of the capitalist. If, on the other hand we relegate these "theories" to the museum of antiquities and adopt the Marxian concept of value we find that our analysis of capitalist production is clear and fruitful, and that we are enabled to examine the tendencies of the existing social order with a deeper insight and a fuller knowledge.

No! Supply and demand cannot enter the sphere of production and determine the exchange-value of a commodity. **We know that that value is determined and is measured by the quantum of social human labor, of which that commodity is the material embodiment.**

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