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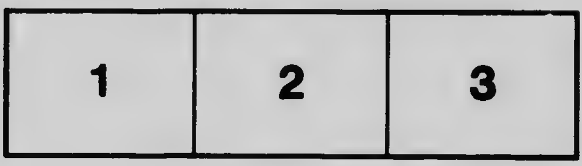
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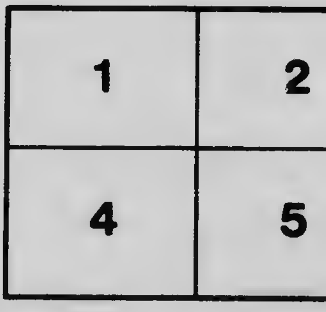
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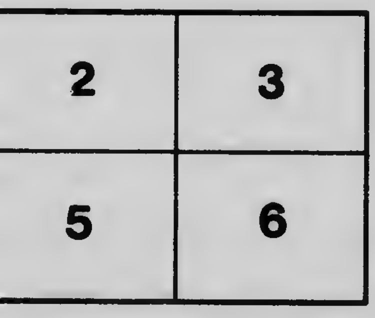

MOTTO---"EDUCATE AND ORGANIZE"

KARL MARX'S THEORY OF EXCHANGE

A Criticism in Political Economy.

By HENRY B. ASHPLANT, London, Ontario.

(Reprinted from "The Toronto Investigator" October 21st, 1911.)

Current Finance and Labor Problems in 1919 Add Special Interest to the Following Treatment of Money, Gold and Prices Presented by this Writer on Industrial Economics, a Few Years Previous to the World-War.

Henry B. Ashplant asserts that the "Gold Standard" is a Relic of a Crude Age, now Responsible for the Industrial World Situation—and Claims that No Adjustment of Labor Factors Will Be Effective To Ensure Social Peace, Which Does Not Eliminate the Gold Standard Clause in Finance Contracts and Money Practice in World Exchange.

(REPRINT)

"The National Monetary Commission of the United States has recently (1910) published an interesting digest of its investigations in the finance and banking "field" in Canada, and Senate "Document No. 583," entitled "The Canadian Banking System", by Joseph Frederick Johnson (Dean of the New York University School of Commerce), embodies some significant facts that should be decidedly attractive reading for believers in Karl Marx's theory of Exchange. Marx's theory is ably presented in simplified form in the "Student's Marx" (by Dr. Aveling). Its claim is, that in a normal market (where artificial and temporary disturbing factors are eliminated, with the laws of Supply and Demand operating freely) commodities always tend to exchange for money at their natural value in equivalent volumes of social labor expenditure measured by time; gold being selected and used for standard measure of value (see "Capital," Chap. 3, Section 1) and medium of exchange, **because it, as money, is an embodiment of labor itself.**

Using any given unit of time as a basis for argument—say eight hours, for illustration, as a unit working day—Karl Marx discovers the average market price of a unit of natural products or manufactured commodities, by taking the weight of gold metal produced in the mining industry in that period of time, and, regarding it as the "effectual demand" or purchasing factor, places it in the position of "dividend" in a simple mathematical equation. Then, taking the quantity of any other commodity produced in the same period of time, to be exchanged (or sold) for gold, he places it as the "divisor" or "supply" factor; and Marx finds the "quotient" that results from an equation between supply of goods an[illegible]ance of money to be the normal price of any unit commodity in money (or gold) terms. Thus, for example, equating the supply of coal against the production of gold in a given season, we have:

DIVISOR	DIVIDEND	PRICE
SUPPLY	DEMAND	QUOTIENT
30 tons of coal	15 ounces or say $300 in gold	$10.00 per unit ton for coal

*The quotient (price) will of course vary with any variations in Supply and Demand. (Demand being effective Purchasing Power in any form). [illegible] **gold and money equivalent terms;** and all through his book on the genesis of "Capital" he speaks of gold as the "universal equivalent" money commodity; a metal which becomes money in the process of commercial evolution only because it (gold) is itself first a commodity that costs (and is the embodiment in smaller bulk of) a volume of social labor-time expended in bringing it to market "equivalent" on the avera[illegible] to the volume of social labor, measured by time, that is embodied in the gold price of any other commodity, or service, for which it is exchanged in commerce.

It is my opinion that Socialists are justly entitled to the claim that **Marx's analysis of the connection between gold and other commodities is the most intelligent presentation of the money problem or record, incorrect as it is,** in my judgment, not being true to world practice.

Following up his argument, resting on the above theory as a premise, Karl Marx reaches the conclusion (and advances it as an adequate explanation of industrial problems and of the process of creating modern capital) that the industrial slavery of the working class results from, and is perpetuated by, a system that pays to the working class, as wages, salaries, etc., in exchange for its service in wealth production a piece of gold in its price form, or paper money which is **an equivalent for gold withdrawn from circulation,** (see "Capital," chap. 3, section 2, on "coins and symbols of value") which is less in weight than the full weight of the piece of

——*It is vitally important ever to bear in mind that **prices** are never *determined* by **cost** of production. It is the margin of **profit**, and not price, which is determined by cost of production—viz., *wages*, Price is a product of ratio between supply of goods and demand of money, and the margin between market **price** and **cost** (or wages) of production is **PROFIT.** To clearly grip this fact is vital to a solution of the world problem.

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gold which is produced by social labor expended in gold mining during the same given time in which the working class is spending its energy in the production of cotton, yarn, coal, wheat or any other form of commodity which **gold is afterwards exchanged for;** consequently, Karl Marx claims, this piece of gold, or sum of money paid as wages to the working class, is **not equivalent to the gold value of the labor-time** expended on the product which the working class leaves in the factory of its employer, and which is afterwards exchanged for its value in gold prices by the employer. Capital, in modern commerce, originates, says Marx, in the surplus of gold (or money) value of the products of the working class in excess of the weight of the gold paid to the working class as wages.

In the "International Socialistic Review" (Chicago, U. S. A.) for February, 1911, will be found article 4 of a series of studies for "beginners" in "Socialism and the Economics of Karl Marx," in which this erroneous Socialist treatment of money and gold as equivalent terms is clearly taught, giving to students a wholly incorrect view of monetary exchange, and failing to correctly interpret the capitalistic process of exploitation and fraud in actual practice.

The reader will observe that all trading, which is popularly spoken of as buying and selling, is really "exchange."

Buying wheat is actually an immediate exchange of wheat for money, or a contract for future completion of such an exchange; the same principle applies to the selling of wheat. Hence it follows that, in order to make money an equivalent in exchange, there must be embodied in money an actual representation of an approximately equal volume of social labor measured by time, such as is represented in wheat, or coal, or cotton cloth, etc., for which it (money) is traded.

Only **because gold metal met such a requirement did it come originally to be chosen for the money function.** Anything that does not meet that requirement, and functions as gold metal is a fraud, and **effects robbery by exchange of non-equivalents,** through its effects on market prices; switching labor products from the possession of producers to that of non-producers. **That is, in my judgment, the position in regard to the paper note issues of Canada's chartered banks.**

It is very important to recognize the fact that when Karl Marx refers to the labor of the working class in wealth production, (see "Capital," chap. 1, sec. 2, on "The two-fold character of the labor embodied in Commodities,")he **covers all the varied forms of mental energy expended in social service quite as thoroughly as he covers muscular labor;** also it must be observed that when he speaks of "wages" of the working class, he fully covers all returns for any social service such as is expressed in **salaries, agents' commissions, and professional fees for services rendered;** as distinct from incomes drawn from profit, interest, rent, etc., that do not represent labor. There is a great deal of very superficial criticism of Karl Marx's theory of surplus value, resting on a wholly false interpretation of his use of the terms "labor," "wages," and "working class." On the other hand, **I propose to demonstrate that Marx himself was incorrect** in his analysis and interpretation of the monetary process of exchange as it is practised to-day, and was actually practised in Europe and America at the time "Capital" was written.

Marx's interpretation of the economic law that governs monetary exchange, and the circulation of commodities leads him farther to the conclusion (a conclusion that largely dictates the attitude of International Socialists towards manufacturing employers of labor) that the working class is fleeced of the wealth it produces, in excess of that volume of its own product which it receives as wages, by a process of robbery **at the point of production:** viz., in the factory or workshop, where the worker is robbed direct by his employer on lines suggested above. **Marx distinctly denies that profit is made by any juggling that takes place in the department of exchange,** as distinguished from the department of factory production proper; and he devotes a good deal of attention to that possibility (see "Capital," chap. 5, on "Contradictions in the General Formulae of Capital.") **He says:** "The conversion of money into capital has to be explained on the **basis** of the laws that regulate the exchange of commodities **in such a** way that the starting point is the exchange of **equivalents.**"

In a footnote in "Capital" below the foregoing sentence appears the following very important example of Marx's attitude toward money prices, viz.: "The formation of capital must be possible even though the price and value of a commodity be the same, for its production cannot be attributed to any deviation of the one from the other," meaning that profits (surplus) cannot be extracted from any normal market by a manipulation of the mechanism of exchange that shall permanently raise money prices to a level above the weight of gold metal that expresses an equivalent in volume of social labor-time for the thing exchanged. In other words, **Marx contends that market money prices cannot permanently deviate from labor-time values.** Hence flows the argument that the working class is robbed in the factory where it is first paid money wages, and **not in the market where it afterwards exchanges its money wages to consume its product.**

That this proposition is received without qualification by accepted teachers of Socialist economics to-day will be seen by a further reference to the article mentioned above in the Feb., 1911, issue of the "International Socialist Review," also by following the propaganda teachings in Canada of Socialist publications, such as the "Western Clarion" (Vancouver, B.C.) and "Cotton's Weekly" (Cowanville, P.Q.,) or the stump orations of Mr. O'Brien, M.P.P., Socialist member of the Alberta Provincial Legislature; or such representative publications as "The People," of New York, U.S.A.

*In view of the close connection between advancing prices of working class necessities, in its pressure on money wages, forcing direct conflict between employers and employed, through disastrous "strikes" aiming to raise money wages and thus equalize matters in the price market, a **serious** study of this complex and highly interesting problem of bank notes and monetary exchange should be taken up by all manufacturers' organizations and "ministerial" associations. Such a study is particularly desirable in view of the widespread unrest of great masses of the workers in Europe and America, in revolt against the moral iniquity of prices of foodstuffs, **an unrest that will grow more serious rather than decrease.**

Before touching on the immorality of Canada's currency system and the **entire absence of gold backing to the note issues of our Chartered Banks,** which is disclosed in Prof. Johnson's report to the "Monetary Commission of the United States," in which he says: "The bank note is almost the sole circulating medium in Canada," being the chief medium in daily use for payment of wages to the working class, etc., let us again emphasize the important fact, in passing, that the term "working class' in this connection, is one that covers the salaried citizens in every department of civil, as well as commercial service, not excluding **the clergy, who, particularly in Protestant communities, are reaping in the oppression of current market prices the natural fruit of their neglecting in the past to shed the light of truth on economic law and morals in monetary practice.** In this department of exchange, not less than elsewhere in human activities, **moral principles enforce their demands and refuse to be ignored.**

The truth alone shall set you free.

It is tragically true that as men think so do they act, and the gold standard base to the Capitalistic system of industry, with its gross frauds and social malformations, derives

——*This is a very remarkable paragraph, written in 1911, as a forecast of labor unrest in 1919.

its main support from exchange practice based on popular belief in a lie regarding money and gold as a measure of values. **Gold Is not a measure of values. Here, Indeed, men should guard well the citadel of their thought, and keep it pure from the blasting contamination of error.** The church has not exposed this lie in economics. Christianity as a system of moral and spiritual truth has a message of saving value for society on this question that has not been delivered "up-to-date," and the workers of the world are still "hungering and thirsting for righteousness." There is an encouraging indication that the time is not far distant when "they shall be filled" by a truer interpretation of the Gospel of Jesus as a very real factor in the material affairs of this world "right here and now." It is gratifying to note that at least one branch of the Christian church in Canada is awaking to the call from the economic field, and turning its attention to the uplifting possibilities of redemptive work in this direction, as shown by the "Recommendations" of the General Assembly of the Presbyterian Church in Canada, endorsed at its meeting at Ottawa, Ont., in June, 1911.*

Regarding the Socialist theory of prices, as will be noted above, **Karl Marx accepts money as a standard measure of value,** and takes a decided stand in opposition to any argum[illegible] bas[illegible] or a theory that the prices of commodities in [illegible] metal are, on an average, above the level of their [illegible] of social labor-time. The main outlines of [illegible] on this point are accepted as correct by many [illegible] known Socialists in Europe and America; [illegible] including Karl Kantsky (Germany); Emile V[illegible]elde (B[illegible]ium); Keir Hardie and H. Hyndman (England), Dan[illegible] De Leon and others (United States).

In view of the general acceptance of a theory that makes money a measure of value and an equivalent term for gold, by so active a political force as the "International Socialist Organization," and by all orthodox political economists, it is a tremendously significant fact that

> "NINETY-FIVE (95) PER CENT. OF THE CHARTERED BANK NOTES ISSUED, AND NOW IN CIRCULATION IN CANADA, HAVE NOT ONE SOLITARY DOLLAR'S WORTH OF GOLD METAL OR EQUIVALENT VALUE, OR ANY SECURITY BACKING OF ANY KIND, EITHER COIN, BULLION, BONDS, STOCKS OR ANY FORM OF COLLATERAL, DEPOSITED WITH THE DOMINION GOVERNMENT. NEITHER ARE THEY SUPPORTED BY GOLD RESERVES IN ANY PLACE. THESE NOTES OF OUR CHARTERED BANKS OPERATE IN CIRCULATION JUST AS A BRASS DOLLAR—COUNTERFEIT OF GOLD—OPERATES TO TRANSFER PROPERTY, AND INFLUENCE PRICES AND WAGES, ETC. SURELY THE CANADIAN PUBLIC HAS NEVER REALIZED THE FULL MEANING OF THE FACT THAT THIS IS THE CHIEF MEDIUM OF EXCHANGE FOR PAYMENT OF SALARIES AND WAGES OF THE WORKING CLASSES IN CANADA, VIZ., EXCHANGING THAT WHICH COSTS MUCH TIME AND LABOR FOR THAT WHICH COSTS LITTLE TIME AND LABOR."

(The above was written before the revision of the Bank Act in 1913.)

(Reprint from the "Toronto Investigator"—Nov. 25, 1911)

VI. THE MEASURE OF VALUE (the Economist's "Slough of Despond")—by Henry B. Ashplant.

A measure is that by which the length, breadth, thickness, depth, or definite size of anything is ascertained.

A standard measure is that which is established by law or custom as a fixed measure.

A yardstick is a fixed standard measure for length.

A bushel is a fixed standard for dry measure.

A pound or ton (specified) is a fixed standard measure for weight.

These things are invariable, always, in all places, at all times; the same length, the same bulk, the same weight, alike in republics, monarchies or au[illegible]cies.

Nothing can be a standar[illegible] m[illegible]sure that varies in itself.

Money could be a standard m[illegible]asure if money were itself invariable; but money is a variable thing. If Gold metal and Money were equivalent terms in finance practice, gold could be a measure of value for exchange purposes, but gold and money are no more equivalent terms than coal and fuel are equivalents. Other commodities, such as paper, are used for money, in the same market, besides gold; and money is thus a variable thing so far as labor cost is concerned. So that while it is quite correct to assert that the standard sovereign, or dollar, or other monetary unit is a fixed quantity of a specific quality of metal, it is not equally correct to assert that current money is the equivalent of such a standard unit, because current money is no such thing; as we have already shown in regard to Chartered Bank notes in Canada. Current yardsticks, bushels, or pound weights never vary from their legal standards; hence they are true measures in their respective spheres, at all times and in all places. Money, in practice, is no such true measure, because paper bank notes are in no way the same in labor cost quality as the standard gold coin. Orthodox political economy has declared that money is a measure of value in commercial exchange and finance practice. It would be monotonous reiteration to quote authorities in proof. They all do it. With tiresome unanimity, the "professors" follow a delusion caused by the illusion of false appearances in money. Gold and money are treated as equivalent terms. These are not equivalents. Strange to relate, but not less true than strange, the most heterodox of radical repudiators of orthodox economic theories, viz., Karl Marx, author of "Capital" (a book sometimes referred to as the German working-man's Bible) has swallowed whole the orthodox theory that "money is a standard measure of value;" the outstanding feature of "Capital" being acceptance of the theory.

MONEY IS NOT A MEASURE OF VALUE. MONEY IS SIMPLY A MEDIUM OF EXCHANGE. TIME IS THE MEASURE OF VALUE.

It is quite true that Karl Marx clearly perceived the truth that social labor measured by time is the real standard for a measure of values in commerce; he did not, however, follow the course of monetary practice correctly. Marx accepted gold and money as labor equivalents in Capitalist practice. Edward Aveling (a son-in-law of Karl Marx), in "The Student's Marx," ch. 3, sec. 1, says: "The first function of money is to be a universal measure of value."

That is as orthodox as you can get it anywhere.

In the same section of ch. 3, Aveling says: (1) "Money is the general equivalent," and (2) "Money is a fixed weight of metal." In Canada at any rate that is not true. A fine presentation of the Socialist position in regard to money is found also in Justice (London, Eng.), official journal of the Social Democrat Federation, Dec. 15, 1906. A reviewer of one of Mr. Arthur Kitson's pamphlets, says: "Money is an equivalent commodity. . . Money must, therefore, be a commodity to enable it to act as an equivalent. . . The basis of the exchange of gold and any other commodity is the equality of the labor substance existing between them." The same writer says in Justice, Oct. 27, 1908: "Mr. Kitson is prone to lose sight of the fact that money is an equivalent commodity." Money in Canada, as Prof. Johnson's report to the monetary Commission of the U. S. A. clearly shows, is almost exclusively paper, without actual gold reserves.

This wholly incorrect treatment of money and the measure of value has led a recognized teacher of the working class in America—the editor of the Weekly People (New York), in

*The now famous industrial and economic resolutions endorsed by the Methodist General Conference of Canada at Hamilton, Ontario, in 1918, indicate a signal advance in the right direction.

the issue for Oct. 10, 1908, to say that "Banking laws do not affect the working class." Why? Because, he says, "Not one member of the working class in 100,000 has any money to deposit in banks." That attitude to banking legislation shows how entirely astray from the truth, in regard to money, is the position of the average Socialist.

One great purpose of the writer of these articles is to correct the position of Karl Marx and all Socialists who assert that "money is an equivalent" in value for labor products; also to deny point blank the position taken by Socialists, in common with "orthodox" political economists, that "money is a measure of values," in the capitalist system.

The purpose of the writer of these artices, further, is to correct the position taken (as above quoted) by the editor of the "Weekly People" that "banking laws do not concern the working class." I assert that no laws more vitally concern the working class than bank note legislation does; and no intelligent presentation of economic law in this department has been given to the working class. **I emphatically deny Edward Aveling's statement that "money is a fixed weight of metal."** Bank notes are money, and in Canada 95 per cent. of this currency used for the wage fund has no metal at all behind it.

A dollar is a fixed weight of gold metal; certainly, that is true.

A paper promise to pay a metal dollar on demand is, however, by no means a fixed weight of metal; nor is a paper promise to pay a metal dollar on demand a commodity that can function as a measure of value, in the same way that a fixed weight of metal can function as a measure of value in circulation. (See Footnote *.)

It is here that our otherwise dry and uninteresting subject becomes an issue of vital importance.

Canada's paper currency, so far as the note issues of her Chartered Banks is concerned, is neither metal nor secured by metal in reserve. Such a currency, departing as it does from the labor cost quality of the standard monetary unit, utterly destroys the ability of money to measure values, because, under such a system, money does not at all times, and in all places represent the "equivalent" labor cost of either gold, or silver, or copper, or paper. It is a fraud, and a danger to the state, producing labor unrest.

It varies not only in the quality of its substance, but also varies as an embodiment of labor-time within its own "person."

Just as a counterfeit dollar can function in circulation, so do these paper promises called Chartered Bank notes, function in circulation to secure legal title to wealth in the form of services or labor products. That is the whole point at issue, the securing something for nothing, on a large scale, from the working class; thus fomenting REVOLUTION through the effect of counterfeit money on prices.

(Reprint from London "Advertiser" Nov., 20th 1912)

CORRESPONDENCE

To the Editor of The "Advertiser:"

Your editorial of Nov. 16, 1912, on "The Cost of Living" refers to Prof. M. A. McKenzie's report on the findings of a sub-committee appointed by the Toronto Board of Trade to investigate the causes of this trouble.

The first among the principal causes for high prices submitted by Prof. McKenzie is stated as "the great increase in the production of gold. . . magnified by economy in the use of gold on the part of the bankers and other manufacturers of credit money."

Permit me to refer to that sentence as **a genteel reference to the manufacture and systematized circulation of counterfeit money.** It is quite certain that if an increase in gold will cause a rise in prices; so also must, act on prices, any currency in circulation for payment of wages, which does the work of gold, and drives gold out of the local market (re Gresham's law).

That is the fact in regard to our **chartered bank notes issued to manufacturers for payment of wages in Canada.**

Only 5 cents on the dollar is paid by Canadian chartered banks for such currency; but 100 cents on the dollar in labor, time, value, is assigned by our manufacturers to our Canadian banks in exchange for this currency.

Every cent of the face value of these notes goes into the cost price of labor products put on the markets of Canada to raise the cost of living. The economic effect on prices is precisely the same as if $100,000,000 of "green goods" or "phoney" money was systematically floated on the public by the members of the Canadian Manufacturers' Association, as agents for counterfeiters.

The same thing is going on in Russia and in Japan.

This finance iniquity operates to force wage-workers and their employers into violent collision through rising prices, forcing strikes by destroying the value of wages.

It would pay our manufacturers to learn the truth about the measure of value in regard to bank notes passed off on manufacturers at 100 cents on the dollar for wages, etc., not backed by gold.

Gold is not a measure of value, but gold is in itself an embodiment of labor, which is the measure of value. Dominion notes, backed by gold deposits in the Dominion treasury, are the same in circulation as gold, simply because they represent the labor time embodied in the gold.

When a manufacturer receives a thousand dollars' worth of Dominion notes from a bank to pay wages with, the banker takes in exchange from the manufacturer an assignment of labor-produced property, but what does the working class get? The manufacturer, of course, takes the wise precaution to part with none of these same Dominion notes until he gets labor time products from his employees in exchange for them. All such exchanges are on a basis of value for value in labor time, and prices of the manufacturer's commodities are expressed in the terms of Dominion notes (or gold) at 100 cents on the dollar, the working class has to pay for its own product at that price.

There is no such relationship as equivalent labor cost in regard to either gold or labor time, when it comes to circulating our Canadian chartered bank notes, these are not Dominion notes.

This is no joke or fancy pipe dream, it is the most tragic truth in the world of finance and industrial economics; and it means a heap of trouble ahead.

Let Canadians who love Canada watch the proposals of the Finance Minister at the coming revision of the Bank Act in regard to weakening the gold reserves at Ottawa.

London, Ontario, HENRY B. ASHPLANT.
November 20th, 1912.

(The significance of the above article lies in the fact that Gold reserves at Ottawa, as with every belligerent state in the world-war, have been seriously weakened since 1912 in relation to the volume of paper liability since issued; while 1919 prices of commodities with labor unrest, and general market conditions certify to-day to the correctness of Mr. Ashplant's economic analysis in 1912).

*You cannot increase the units of gold coin either in circulation or in reserve, except by an equivalent increase in units of effort or labor time in relative proportion expended in gold production. It is otherwise with paper, its purchasing power can be increased "ad infinitum" from $1 to $5, to $10 or $100 to $5,000 by Printers' Ink. The effect on goods and prices being disastrous to the wage-workers, and very "**profitable**" to the capitalist. (H. B. A.)

N.B.—All citizens are vitally interested in the solution of problems treated in above articles. Copies of this leaflet can be secured from the Author at $1.50 per 100, or 10 copies for 25c. Address Henry B. Ashplant, London, Ontario, Canada.

(Write to the "Labor Gazette," Ottawa, Ont., for a copy of Mr. H. B. Ashplant's evidence, at the London sitting of the **Royal Commission on Industrial Unrest**, in May, 1919).