**Value, Price and Profit**

# Preliminary

CITIZENS,

Before entering into the subject-matter, allow me to make a few preliminary remarks. There reigns now on the Continent a real epidemic of strikes, and a general clamour for a rise of wages. The question will turn up at our Congress. You, as the head of the International Association, ought to have settled convictions upon this paramount question. For my own part, I considered it therefore my duty to enter fully into the matter, even at the peril of putting your patience to a severe test.

Another preliminary remark I have to make in regard to Citizen Weston. He has not only proposed to you, but has publicly defended, in the interest of the working class, as he thinks, opinions he knows to be most unpopular with the working class. Such an exhibition of moral courage all of us must highly honour. I hope that, despite the unvarnished style of my paper, at its conclusion he will find me agreeing with what appears to me the just idea lying at the bottom of his theses, which, however, in their present form, I cannot but consider theoretically false and practically dangerous.

I shall now at once proceed to the business before us.

# I. Production and Wages

Citizen Weston's argument rested, in fact, upon two premises: firstly, the amount of national production is a fixed thing, a constant quantity or magnitude, as the mathematicians would say; secondly, that the amount of real wages, that is to say, of wages as measured by the quantity of the commodities they can buy, is a fixed amount, a constant magnitude.

Now, his first assertion is evidently erroneous. Year after year you will find that the value and mass of production increase, that the productive powers of the national labour increase, and that the amount of money necessary to circulate this increasing production continuously changes. What is true at the end of the year, and for different years compared with each other, is true for every average day of the year. The amount or magnitude of national production changes continuously. It is not a constant but a variable magnitude, and apart from changes in population it must be so, because of the continuous change in the accumulation of capital and the productive powers of labour. It is perfectly true that if a rise in the general rate of wages should take place today, that rise, whatever its ulterior effects might be, would, by itself, not immediately change the amount of production. It would, in the first instance, proceed from the existing state of things. But if before the rise of wages the national production was variable, and not fixed, it will continue to be variable and not fixed after the rise of wages.

But suppose the amount of national production to be constant instead of variable. Even then, what our friend Weston considers a logical conclusion would still remain a gratuitous assertion. If I have a given number, say eight, the absolute limits of this number do not prevent its parts from changing their relative limits. If profits were six and wages two, wages might increase to six and profits decrease to two, and still the total amount remain eight. The fixed amount of production would by no means prove the fixed amount of wages. How then does our friend Weston prove this fixity? By asserting it.

But even conceding him his assertion, it would cut both ways, while he presses it only in one direction. If the amount of wages is a constant magnitude, then it can be neither increased nor diminished. If then, in enforcing a temporary rise of wages, the working men act foolishly, the capitalists, in enforcing a temporary fall of wages, would act not less foolishly. Our friend Weston does not deny that, under certain circumstances, the working men *can* enforce a rise of wages, but their amount being naturally fixed, there must follow a reaction. On the other hand, he knows also that the capitalists *can* enforce a fall of wages, and, indeed, continuously try to enforce it. According to the principle of the constancy of wages, a reaction ought to follow in this case not less than in the former. The working men, therefore, reacting against the attempt at, or the act of, lowering wages, would act rightly. They would, therefore, act rightly in enforcing *a rise of wages*, because every *reaction* against the lowering of wages is an *action* for raising wages. According to Citizen Weston's own principle of the *constancy of wages*, the working men ought, therefore, under certain circumstances, to combine and struggle for a rise of wages. If he denies this conclusion, he must give up the premise from which it flows. He must not say that the amount of wages is a *constant quantity*, but that, although it cannot and must not *rise*, it can and must *fall*, whenever capital pleases to lower it. If the capitalist pleases to feed you upon potatoes instead of upon meat, and upon oats instead of upon wheat, you must accept his will as a law of political economy, and submit to it. If in one country the rate of wages is higher than in another, in the United States, for example, than in England, you must explain this difference in the rate of wages by a difference between the will of the American capitalist and the will of the English capitalist, a method which would certainly very much simplify, not only the study of economic phenomena, but of all other phenomena.

But even then, we might ask, *why* the will of the American capitalist differs from the will of the English capitalist? And to answer the question you must go beyond the domain of *will*. A person may tell me that God wills one thing in France, and another thing in England. If I summon him to explain this duality of will, he might have the brass to answer me that God wills to have one will in France and another will in England. But our friend Weston is certainly the last man to make an argument of such a complete negation of all reasoning.

The *will* of the capitalist is certainly to take as much as possible. What we have to do is not to talk about his *will*, but to enquire into his *power*, the *limits of that power*, and the *character of those limits*.

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# II. Production, Wages, Profits

The address Citizen Weston read to us might have been compressed into a nutshell.

All his reasoning amounted to this: If the working class forces the capitalist class to pay five shillings instead of four shillings in the shape of money wages, the capitalist will return in the shape of commodities four shillings' worth instead of five shillings' worth. The working class would have to pay five shillings for what, before the rise of wages, they bought with four shillings. But why is this the case? Why does the capitalist only return four shillings' worth for five shillings? Because the amount of wages is fixed. By why is it fixed at four shillings' worth of commodities? Why not at three, or two, or any other sum? If the limit of the amount of wages is settled by an economical law, independent alike of the will of the capitalist and the will of the working man, the first thing Citizen Weston had to do was to state that law and prove it. He ought then, moreover, to have proved that the amount of wages actually paid at every given moment always corresponds exactly to the necessary amount of wages, and never deviates from it. If, on the other hand, the given limit of the amount of wages is founded on the *mere will* of the capitalist, or the limits of his avarice, it is an arbitrary limit. There is nothing necessary in it. It may be changed *by* the will of the capitalist, and may, therefore, be changed *against* his will.

Citizen Weston illustrated his theory by telling you that a bowl contains a certain quantity of soup, to be eaten by a certain number of persons, an increase in the broadness of the spoons would produce no increase in the amount of soup. He must allow me to find this illustration rather spoony. It reminded me somewhat of the simile employed by Menenius Agrippa. When the Roman plebeians struck against the Roman patricians, the patrician Agrippa told them that the patrician belly fed the plebeian members of the body politic. Agrippa failed to show that you feed the members of one man by filling the belly of another. Citizen Weston, on his part, has forgotten that the bowl from which the workmen eat is filled with the whole produce of national labour, and that what prevents them fetching more out of it is neither the narrowness of the bowl nor the scantiness of its contents, but only the smallness of their spoons.

By what contrivance is the capitalist enabled to return four shillings' worth for five shillings? By raising the price of the commodity he sells. Now, does a rise and more generally a change in the prices of commodities, do the prices of commodities themselves, depend on the mere will of the capitalist? Or are, on the contrary, certain circumstances wanted to give effect to that will? If not, the ups and downs, the incessant fluctuations of market prices, become an insoluble riddle.

As we suppose that no change whatever has taken place either in the productive powers of labour, or in the amount of capital and labour employed, or in the value of the money wherein the values of products are estimated, but *only a change in the rate of wages*, how could that *rise of wages* affect the *prices of commodities*? Only by affecting the actual proportion between the demand for, and the supply of these commodities.

It is perfectly true that, considered as a whole, the working class spends, and must spend, its income upon *necessaries*. A general rise in the rate of wages would, therefore, produce a rise in the demand for, and consequently in the *market prices of necessaries*. The capitalists who produce these necessaries would be compensated for the risen wages by the rising market prices of their commodities. But how with the other capitalists who do *not* produce necessaries? And you must not fancy them a small body. If you consider that two-thirds of the national produce are consumed by one-fifth of the population — a member of the House of Commons stated it recently to be but one-seventh of the population — you will understand what an immense proportion of the national produce must be produced in the shape of luxuries, or be *exchanged* for luxuries, and what an immense amount of the necessaries themselves must be wasted upon flunkeys, horses, cats, and so forth, a waste we know from experience to become always much limited with the rising prices of necessaries.

Well, what would be the position of those capitalists who do *not* produce necessaries? For the *fall in the rate of profit*, consequent upon the general rise of wages, they could not compensate themselves by a *rise in the price of their commodities*, because the demand for those commodities would not have increased. Their income would have decreased, and from this decreased income they would have to pay more for the same amount of higher-priced necessaries. But this would not be all. As their income had diminished they would have less to spend upon luxuries, and therefore their mutual demand for their respective commodities would diminish. Consequent upon this diminished demand the prices of their commodities would fall. In these branches of industry, therefore, *the rate of profit would fall*, not only in simple proportion to the general rise in the rate of wages, but in the compound ratio of the general rise of wages, the rise in the prices of necessaries, and the fall in the prices of luxuries.

What would be the consequence of *this difference in the rates of profit* for capitals employed in the different branches of industry? Why, the consequence that generally obtains whenever, from whatever reason, the *average rate of profit* comes to differ in different spheres of production. Capital and labour would be transferred from the less remunerative to the more remunerative branches; and this process of transfer would go on until the supply in the one department of industry would have risen proportionately to the increased demand, and would have sunk in the other departments according to the decreased demand. This change effected, the general rate of profit would again be *equalized* in the different branches. As the whole derangement originally arose from a mere change in the proportion of the demand for, and supply of, different commodities, the cause ceasing, the effect would cease, and PRICES would return to their former level and equilibrium. Instead of being limited to some branches of industry, *the fall in the rate of profit* consequent upon the rise of wages would have become general. According to our supposition, there would have taken place no change in the productive powers of labour, nor in the aggregate amount of production, but *that given amount of production would have changed its form*. A greater part of the produce would exist in the shape of necessaries, a lesser part in the shape of luxuries, or what comes to the same, a lesser part would be exchanged for foreign luxuries, and be consumed in its original form, or, what again comes to the same, a greater part of the native produce would be exchanged for foreign necessaries instead of for luxuries. The general rise in the rate of wages would, therefore, after a temporary disturbance of market prices, only result in a general fall of the rate of profit without any permanent change in the prices of commodities. If I am told that in the previous argument I assume the whole surplus wages to be spent upon necessaries, I answer that I have made the supposition most advantageous to the opinion of Citizen Weston. If the surplus wages were spent upon articles formerly not entering into the consumption of the working men, the real increase of their purchasing power would need no proof. Being, however, only derived from an advance of wages, that increase of their purchasing power must exactly correspond to the decrease of the purchasing power of the capitalists. The *aggregate demand* for commodities would, therefore, not *increase*, but the constituent parts of that demand would *change*. The increasing demand on the one side would be counterbalanced by the decreasing demand on the other side. Thus the aggregate demand remaining stationary, no change whatever could take place in the market prices of commodities. You arrive, therefore, at this dilemma: Either the surplus wages are equally spent upon all articles of consumption — then the expansion of demand on the part of the working class must be compensated by the contraction of demand on the part of the capitalist class — or the surplus wages are only spent upon some articles whose market prices will temporarily rise. The consequent rise in the rate of profit in some, and the consequent fall in the rate of profit in other branches of industry will produce a change in the distribution of capital and labour, going on until the supply is brought up to the increased demand in the one department of industry, and brought down to the diminished demand in the other departments of industry. On the one supposition there will occur no change in the prices of commodities. On the other supposition, after some fluctuations of market prices, the exchangeable values of commodities will subside to the former level. On both suppositions the general rise in the rate of wages will ultimately result in nothing else but a general fall in the rate of profit.

To stir up your powers of imagination Citizen Weston requested you to think of the difficulties which a general rise of English agricultural wages from nine shillings to eighteen shillings would produce. Think, he exclaimed, of the immense rise in the demand for necessaries, and the consequent fearful rise in their prices! Now, all of you know that the average wages of the American agricultural labourer amount to more than double that of the English agricultural labourer, although the prices of agricultural produce are lower in the United States than in the United Kingdom, although the general relations of capital and labour obtain in the United States the same as in England, and although the annual amount of production is much smaller in the United States than in England. Why, then, does our friend ring this alarm bell? Simply to shift the real question before us. A sudden rise of wages from nine shillings to eighteen shillings would be a sudden rise to the amount of 100 percent. Now, we are not at all discussing the question whether the general rate of wages in England could be suddenly increased by 100 percent. We have nothing at all to do with the *magnitude* of the rise, which in every practical instance must depend on, and be suited to, given circumstances. We have only to inquire how a general rise in the rate of wages, even if restricted to one percent, will act.

Dismissing friend Weston's fancy rise of 100 percent, I propose calling your attention to the real rise of wages that took place in Great Britain from 1849 to 1859.

You are all aware of the Ten Hours Bill, or rather Ten-and-a-half Hours Bill, introduced since 1848. This was one of the greatest economical changes we have witnessed. It was a sudden and compulsory rise of wages, not in some local trades, but in the leading industrial branches by which England sways the markets of the world. It was a rise of wages under circumstances singularly unpropitious. Dr. Ure, Professor Senior, and all the other official economical mouthpieces of the middle class, [The aristocracy was the upper class of Great Britain, while the capitalists composed what was known to Marx as the middle class] *proved*, and I must say upon much stronger grounds than those of our friend Weston, that it would sound the death-knell of English industry. They proved that it not only amounted to a simple rise of wages, but to a rise of wages initiated by, and based upon, a diminution of the quantity of labour employed. They asserted that the twelfth hour you wanted to take from the capitalist was exactly the only hour from which he derived his profit. They threatened a decrease of accumulation, rise of prices, loss of markets, stinting of production, consequent reaction upon wages, ultimate ruin. In fact, they declared Maximillian Robespierre's Maximum Laws[1] to be a small affair compared to it; and they were right in a certain sense. Well, what was the result? A rise in the money wages of the factory operatives, despite the curtailing of the working day, a great increase in the number of factory hands employed, a continuous fall in the prices of their products, a marvellous development in the productive powers of their labour, an unheard-of progressive expansion of the markets for their commodities. In Manchester, at the meeting, in 1860, of the Society for the Advancement of Science, I myself heard Mr. Newman confess that he, Dr. Ure, Senior, and all other official propounders of economical science had been wrong, while the instinct of the people had been right. I mention Mr. W. Newman, not Professor Francis Newman, because he occupies an eminent position in economical science, as the contributor to, and editor of, Mr. Thomas Tooke's *History Of Prices*, that magnificent work which traces the history of prices from 1793 to 1856. If our friend Weston's fixed idea of a fixed amount of wages, a fixed amount of production, a fixed degree of the productive power of labour, a fixed and permanent will of the capitalist, and all his other fixedness and finality were correct, Professor Senior's woeful forebodings would been right, and Robert Owen[2], who already in 1816 proclaimed a general limitation of the working day the first preparatory step to the emancipation of the working class, and actually in the teeth of the general prejudice inaugurated it on his own hook in his cotton factory at New Lanark, would have been wrong.

In the very same period during which the introduction of the Ten Hours Bill, and the rise of wages consequent upon it, occurred, there took place in Great Britain, for reasons which it would be out of place to enumerate here, *a general rise in agricultural wages*. Although it is not required for my immediate purpose, in order not to mislead you, I shall make some preliminary remarks.

If a man got two shillings weekly wages, and if his wages rose to four shillings, the *rate of wages* would have risen by 100 per cent. This would seem a very magnificent thing if expressed as a rise in the *rate of wages*, although the *actual amount of wages*, four shillings weekly, would still remain a wretchedly small, a starvation pittance. You must not, therefore, allow yourselves to be carried away by the high sounding per cents in *rate* of wages. You must always ask: What was the *original* amount?

Moreover, you will understand, that if there were ten men receiving each 2s. per week, five men receiving each 5s., and five men receiving 11s. weekly, the twenty men together would receive 100s., or £5, weekly. If then a rise, say by 20 per cent, upon the *aggregate* sum of their weekly wages took place, there would be an advance from £5 to £6. Taking the average, we might say that the *general rate of wages* had risen by 20 per cent, although, in fact, the wages of the ten men had remained stationary, the wages of the one lot of five men had risen from 5s. to 6s. only, and the wages of the other lot of five from 55s. to 70s.[3] One half of the men would not have improved at all their position, one quarter would have improved it in an imperceptible degree, and only one quarter would have bettered it really. Still, reckoning by the *average*, the total amount of the wages of those twenty men would have increased by 25 per cent, and as far as the aggregate capital that employs them, and the prices of the commodities they produce, are concerned, it would be exactly the same as if all of them had equally shared in the average rise of wages. In the case of agricultural labour, the standard wages being very different in the different counties of England and Scotland, the rise affected them very unequally.

Lastly, during the period when that rise of wages took place counteracting influences were at work such as the new taxes consequent upon the Russian war, the extensive demolition of the dwelling-houses of the agricultural labourers, and so forth. Having premised so much, I proceed to state that from 1849 to 1859 there took place a *rise of about 40 percent* in the average rate of the agricultural wages of Great Britain. I could give you ample details in proof of my assertion, but for the present purpose think it sufficient to refer you to the conscientious and critical paper read in 1860 by the late Mr. John C. Morton at the London Society of Arts on "The Forces used in Agriculture." Mr. Morton gives the returns, from bills and other authentic documents, which he had collected from about one hundred farmers, residing in twelve Scotch and thirty-five English counties.

According to our friend Weston's opinion, and taken together with the simultaneous rise in the wages of the factory operatives, there ought to have occurred a tremendous rise in the prices of agricultural produce during the period 1849 to 1859. But what is the fact? Despite the Russian war, and the consecutive unfavourable harvests from 1854 to 1856, the average price of wheat, which is the leading agricultural produce of England, fell from about 3 Pounds per quarter for the years 1838 to 1848 to about 2 Pounds 10 Shillings per quarter for the years 1849 to 1859. This constitutes a fall in the price of wheat of more than 16 percent simultaneously with an average rise of agricultural wages of 40 percent. During the same period, if we compare its end with its beginning, 1859 with 1849, there was a decrease of official pauperism from 934,419 to 860,470, the difference being 73,949; a very small decrease, I grant, and which in the following years was again lost, but still a decrease.

It might be said that, consequent upon the abolition of the Corn Laws, the import of foreign corn was more than doubled during the period from 1849 to 1859, as compared with the period from 1838 to 1848. And what of that? From Citizen Weston's standpoint one would have expected that this sudden, immense, and continuously increasing demand upon foreign markets must have sent up the prices of agricultural produce there to a frightful height, the effect of increased demand remaining the same, whether it comes from without or from within. What was the fact? Apart from some years of failing harvests, during all that period the ruinous fall in the price of corn formed a standing theme of declamation in France; the Americans were again and again compelled to burn their surplus produce; and Russia, if we are to believe Mr. Urquhart, prompted the Civil War in the United States because her agricultural exports were crippled by the Yankee competition in the markets of Europe.

*Reduced to its abstract form*, Citizen Weston's argument would come to this: Every rise in demand occurs always on the basis of a given amount of production. It can, therefore, *never increase the supply of the articles demanded*, but can *only enhance their money prices*. Now the most common observation shows than an increased demand will, in some instances, leave the market prices of commodities altogether unchanged, and will, in other instances, cause a temporary rise of market prices followed by an increased supply, followed by a reduction of the prices to their original level, and in many cases *below* their original level. Whether the rise of demand springs from surplus wages, or from any other cause, does not at all change the conditions of the problem. From Citizen Weston's standpoint the general phenomenon was as difficult to explain as the phenomenon occurring under the exceptional circumstances of a rise of wages. His argument had, therefore, no peculiar bearing whatever upon the subject we treat. It only expressed his perplexity at accounting for the laws by which an increase of demand produces an increase of supply, instead of an ultimate rise of market prices.

# III. Wages and Currency

On the second day of the debate our friend Weston clothed his old assertions in new forms. He said: Consequent upon a general rise in money wages, more currency will be wanted to pay the same wages. The currency being *fixed*, how can you pay with this fixed currency increased money wages? First the difficulty arose from the fixed amount of commodities accruing to the working man despite his increase of money wages; now it arises from the increased money wages, despite the fixed amount of commodities. Of course, if you reject his original dogma, his secondary grievance will disappear. However, I shall show that this currency question has nothing at all to do with the subject before us.

In your country the mechanism of payments is much more perfected than in any other country of Europe. Thanks to the extent and concentration of the banking system, much less currency is wanted to circulate the same amount of values, and to transact the same or a greater amount of business. For example, as far as wages are concerned, the English factory operative pays his wages weekly to the shopkeeper, who sends them weekly to the banker, who returns them weekly to the manufacturer, who again pays them away to his working men, and so forth. By this contrivance the yearly wages of an operative, say of 52 Pounds, may be paid by one single Sovereign turning round every week in the same circle. Even in England the mechanism is less perfect than in Scotland, and is not everywhere equally perfect; and therefore we find, for example, that in some agricultural districts, much more currency is wanted to circulate a much smaller amount of values.

If you cross the Channel you will find that the *money wages* are much lower than in England, but that they are circulated in Germany, Italy, Switzerland, and France by a *much larger amount of currency*. The same Sovereign will not be so quickly intercepted by the banker or returned to the industrial capitalist; and, therefore, instead of one Sovereign circulating 52 Pounds yearly, you want, perhaps, three Sovereigns to circulate yearly wages to the amount of 25 Pounds. Thus, by comparing continental countries with England, you will see at once that low money wages may require a much larger currency for their circulation than high money wages, and that this is, in fact, a merely technical point, quite foreign to our subject.

According to the best calculations I know, the yearly income of the working class of this country may be estimated at 250,000,000 Pounds. This immense sum is circulated by about three million Pounds. Suppose a rise of wages of fifty per cent to take place. Then, instead of three millions of currency, four and a half millions would be wanted. As a very considerable part of the working-man's daily expenses is laid out in silver and copper, that is to say, in mere tokens, whose relative value to gold is arbitrarily fixed by law, like that of inconvertible money paper, a rise of money wages by fifty per cent would, in the extreme case, require and additional circulation of Sovereigns, say to the amount of one million. One million, now dormant, in the shape of bullion or coin, in the cellars of the Bank of England, or of private bankers would circulate. But even the trifling expense resulting from the additional minting or the additional wear and tear of that million might be spared, and would actually be spared, if any friction should arise from the want of the additional currency. All of you know that the currency of this country is divided into two great departments. One sort, supplied by bank-notes of different descriptions, is used in the transactions between dealers and dealers, and the larger payments from consumers to dealers, while another sort of currency, metallic coin, circulates in the retail trade. Although distinct, these two sorts of currency intermix with each other. Thus gold coin, to a very great extent, circulates even in larger payments for all the odd sums under 5 Pounds. If tomorrow 4 Pound notes, or 3 Pound notes, or 2 Pound notes were issued, the gold filling these channels of circulation would at once be driven out of them, and flow into those channels where they would be needed from the increase of money wages. Thus the additional million required by an advance of wages by fifty per cent would be supplied without the addition of one single Sovereign. The same effect might be produced, without one additional bank-note, by an additional bill circulation, as was the case in Lancashire for a very considerable time.

If a general rise in the rate of wages, for example, of 100 per cent, as Citizen Weston supposed it to take place in agricultural wages, would produce a great rise in the prices of necessaries, and, according to his views, require an additional amount of currency not to be procured, *a general fall in wages* must produce the same effect, on the same scale, in the opposite direction. Well! All of you know that the years 1858 to 1860 were the most prosperous years for the cotton industry, and that peculiarly the year 1860 stands in that respect unrivalled in the annals of commerce, while at the same time all other branches of industry were most flourishing. The wages of the cotton operatives and of all the other working men connected with their trade stood, in 1860, higher than ever before. The American crisis came, and those aggregate wages were suddenly reduced to about one-fourth of their former amount. This would have been in the opposite direction a rise of 400 per cent. If wages rise from five to twenty, we say that they rise by 400 per cent; if they fall from twenty to five, we say that they fall by seventy-five per cent; but the amount of rise in the one and the amount of fall in the other case would be the same, namely, fifteen shillings. This, then, was a sudden change in the rate of wages unprecedented, and at the same time extending over a number of operatives which, if we count all the operatives not only directly engaged in but indirectly dependent upon the cotton trade, was larger by one-half than the number of agricultural labourers. Did the price of wheat fall? It *rose* from the annual average of 47 shillings 8d per quarter during the three years of 1858-1860 to the annual average of 55 shillings 10d per quarter during the three years 1861-1863. As to the currency, there were coined in the mint in 1861 8,673,323 Pounds, against 3,378,792 Pounds in 1860. That is to say, there were coined 5,294,440 Pounds more in 1861 than in 1860. It is true the bank-note circulation was in 1861 less by 1,319,000 Pounds than in 1860. Take this off. There remains still a surplus of currency for the year 1861, as compared with the prosperity year, 1860, to the amount of 3,975,440 Pounds, or about 4,000,000 Pounds; but the bullion reserve in the Bank of England had simultaneously decreased, not quite to the same, but in an approximating proportion.

Compare the year 1862 with 1842. Apart from the immense increase in the value and amount of commodities circulated, in 1862 the capital paid in regular transactions for shares, loans, etc. for the railways in England and Wales amounted alone to 320,000,000 Pounds, a sum that would have appeared fabulous in 1842. Still, the aggregate amounts in currency in 1862 and 1842 were pretty nearly equal, and generally you will find a tendency to a progressive diminution of currency in the face of enormously increasing value, not only of commodities, but of monetary transactions generally. From our friend Weston's standpoint this is an unsolvable riddle. Looking somewhat deeper into this matter, he would have found that, quite apart from wages, and supposing them to be fixed, the value and mass of the commodities to be circulated, and generally the amount of monetary transactions to be settled, vary daily; that the amount of bank-notes issued varies daily; that the amount of payments realized without the intervention of any money, by the instrumentality of bills, cheques, book-credits, clearing houses, varies daily; that, as far as actual metallic currency is required, the proportion between the coin in circulation and the coin and bullion in reserve or sleeping in the cellars of banks varies daily; that the amount of bullion absorbed by the national circulation and the amount being sent abroad for international circulation vary daily. He would have found that this dogma of a fixed currency is a monstrous error, incompatible with our everyday movement. He would have inquired into the laws which enable a currency to adapt itself to circumstances so continually changing, instead of turning his misconception of the laws of currency into an argument against a rise of wages.

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# IV. Supply and Demand

Our friend Weston accepts the Latin proverb that "*repetitio est mater studiorum*," that is to say, that repetition is the mother of study, and consequently he repeated his original dogma again under the new form, that the contraction of currency, resulting from an enhancement of wages, would produce a diminution of capital, and so forth. Having already dealt with his currency crotchet, I consider it quite useless to enter upon the imaginary consequences he fancies to flow from his imaginary currency mishap. I shall proceed to at once reduce his *one and the same dogma*, repeated in so many different shapes, to its simplest theoretical form.

The uncritical way in which he has treated his subject will become evident from one single remark. He pleads against a rise of wages or against high wages as the result of such a rise. Now, I ask him: What are high wages and what are low wages? Why constitute, for example, five shillings weekly low, and twenty shillings weekly high wages? If five is low as compared with twenty, twenty is still lower as compared with two hundred. If a man was to lecture on the thermometer, and commenced by declaiming on high and low degrees, he would impart no knowledge whatever. He must first tell me how the freezing-point is found out, and how the boiling-point, and how these standard points are settled by natural laws, not by the fancy of the sellers or makers of thermometers. Now, in regard to wages and profits, Citizen Weston has not only failed to deduce such standard points from economical laws, but he has not even felt the necessity to look after them. He satisfied himself with the acceptance of the popular slang terms of low and high as something having a fixed meaning, although it is self-evident that wages can only be said to be high or low as compared with a standard by which to measure their magnitudes.

He will be unable to tell me why a certain amount of money is given for a certain amount of labour. If he should answer me, "This was settled by the law of supply and demand," I should ask him, in the first instance, by what law supply and demand are themselves regulated. And such an answer would at once put him out of court. The relations between the supply and demand of labour undergo perpetual change, and with them the market prices of labour. If the demand overshoots the supply wages rise; if the supply overshoots the demand wages sink, although it might in such circumstances be necessary to *test* the real state of demand and supply by a strike, for example, or any other method. But if you accept supply and demand as the law regulating wages, it would be as childish as useless to declaim against a rise of wages, because, according to the supreme law you appeal to, a periodical rise of wages is quite as necessary and legitimate as a periodical fall of wages. If you do *not* accept supply and demand as the law regulating wages, I again repeat the question, why a certain amount of money is given for a certain amount of labour?

But to consider matters more broadly: You would be altogether mistaken in fancying that the value of labour or any other commodity whatever is ultimately fixed by supply and demand. Supply and demand regulate nothing but the temporary *fluctuations* of market prices. They will explain to you why the market price of a commodity rises above or sinks below its *value*, but they can never account for the *value* itself. Suppose supply and demand to equilibrate, or, as the economists call it, to cover each other. Why, the very moment these opposite forces become equal they paralyze each other, and cease to work in the one or other direction. At the moment when supply and demand equilibrate each other, and therefore cease to act, the *market price* of a commodity coincides with its *real value*, with the standard price round which its market prices oscillate. In inquiring into the nature of that VALUE, we have therefore nothing at all to do with the temporary effects on market prices of supply and demand. The same holds true of wages and of the prices of all other commodities.

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# V. Wages and Prices

Reduced to their simplest theoretical expression, all our friend's arguments resolve themselves into this one dogma: “*The prices of commodities are determined or regulated by wages.*"

I might appeal to practical observation to bear witness against this antiquated and exploded fallacy. I might tell you that the English factory operatives, miners, shipbuilders, and so forth, whose labour is relatively high-priced, undersell by the cheapness of their produce all other nations; while the English agricultural labourer, for example, whose labour is relatively low-priced, is undersold by almost every other nation because of the dearness of his produce. By comparing article with article in the same country, and the commodities of different countries, I might show, apart from some exceptions more apparent than real, that on an average the high-priced labour produces the low-priced, and low priced labour produces the high-priced commodities. This, of course, would not prove that the high price of labour in the one, and its low price in the other instance, are the respective causes of those diametrically opposed effects, but at all events it would prove that the prices of commodities are not ruled by the prices of labour. However, it is quite superfluous for us to employ this empirical method.

It might, perhaps, be denied that Citizen Weston has put forward the dogma: “*The prices of commodities are determined or regulated by wages.*” In point of fact, he has never formulated it. He said, on the contrary, that profit and rent also form constituent parts of the prices of commodities, because it is out of the prices of commodities that not only the working man's wages, but also the capitalist's profits and the landlord's rents must be paid. But how in his idea are prices formed? First by wages. Then an additional percentage is joined to the price on behalf of the capitalist, and another additional percentage on behalf of the landlord. Suppose the wages of the labour employed in the production of a commodity to be ten. If the rate of profit was 100 per cent, to the wages advanced the capitalist would add ten, and if the rate of rent was also 100 per cent upon the wages, there would be added ten more, and the aggregate price of the commodity would amount to thirty. But such a determination of prices would be simply their determination by wages. If wages in the above case rose to twenty, the price of the commodity would rise to sixty, and so forth. Consequently all the superannuated writers on political economy who propounded the dogma that wages regulate prices, have tried to prove it by treating profit and rent *as mere additional percentages upon wages*. None of them were, of course, able to reduce the limits of those percentages to any economic law. They seem, on the contrary, to think profits settled by tradition, custom, the will of the capitalist, or by some other equally arbitrary and inexplicable method. If they assert that they are settled by the competition between the capitalists, they say nothing. That competition is sure to equalize the different rates of profit in different trades, or reduce them to one average level, but it can never determine the level itself, or the general rate of profit.

What do we mean by saying that the prices of the commodities are determined by wages? Wages being but a name for the price of labour, we mean that the prices of commodities are regulated by the price of labour. As "price" is exchangeable value — and in speaking of value I speak always of exchangeable value — is exchangeable *value expressed in money*, the proposition comes to this, that "the *value of commodities* is determined by the value of labour," or that "the *value of labour is the general measure of value*."

But how, then, is the "*value of labour*" itself determined? Here we come to a standstill. Of course, we come to a standstill if we try reasoning logically, yet the propounders of that doctrine make short work of logical scruples. Take our friend Weston, for example. First he told us that wages regulate the price of commodities and that consequently when wages rise prices must rise. Then he turned round to show us that a rise of wages will be no good because the prices of commodities had risen, and because wages were indeed measured by the prices of the commodities upon which they are spent. Thus we begin by saying that the value of labour determines the value of commodities, and we wind up by saying that the value of commodities determines the value of labour. Thus we move to and fro in the most vicious circle, and arrive at no conclusion at all.

On the whole, it is evident that by making the value of one commodity, say labour, corn, or any other commodity, the general measure and regulator of value, we only shift the difficulty, since we determine one value by another, which on its side wants to be determined.

The dogma that "wages determine the price of commodities," expressed in its most abstract terms, comes to this, that "value is determined by value," and this tautology means that, in fact, we know nothing at all about value. Accepting this premise, all reasoning about the general laws of political economy turns into mere twaddle. It was, therefore, the great merit of Ricardo that in his work on *the principles of political economy*, published in 1817, he fundamentally destroyed the old popular, and wornout fallacy that “wages determine prices,” a fallacy which Adam Smith and his French predecessors had spurned in the really scientific parts of their researches, but which they reproduced in their more exoterical and vulgarizing chapters.

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**1.** The Maximum Law was introduced during the Great French Revolution in 1792, fixing definite price limits for commodities and standard rates of wages. The chief supporters of the Maximum Law were the so-called “madmen” who represented the interests of the urban and village poor. Robespierre, the leader of the Jacobin Party, introduced this law at a time when the Jacobins as a result of tactical considerations had formed a bloc with the “madmen.” – *Ed.*

**2.** Robert Owen (1771-1858) was a British manufacturer who became a utopian socialist. He introduced in his factory the ten-hour day, and also organised sickness insurance, consumers' co-operative societies, etc. – *Ed.*

**3.** These figures, 55s.-70s., refer to the total wages of the group of five men. The wage of each man in the group would increase from 11s. to 14s. – *Ed.*

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