

CHAPTER XVI

OF THE ECONOMIC STANDARD OF VALUE.

A man's labor for a day is a better standard of value than a measure of any produce, because no produce ever maintains a consistent rate of productibility. *John Ruskin.*

Labour, therefore, is the only universal, as well as the only accurate measure of value, or the only standard by which we can compare the values of different commodities at all times and at all places. *Adam Smith.*

The primary disutilities of the economic world are the same as those of the physical world—the disutilities of matter, time and space. Aside from these disutilities of which they treat in common, Physics treats of energy and its effects; and Economics, of value and its causes. The physicist looks upon energy as initiative, while the economist views value as resultant. Aside, however, from the variance made necessary by the difference in the point of view, the method of the economist is similar to that of the physicist.

The physicists have need of a universal standard of energy by means of which standard all measurable forces may be compared. They have secured such a standard in the only possible way—by making it contain a unit of each disutility. In physics the disutility of matter, as a resistance to energy, is represented by its resistance to the force of gravity, that is, by weight; the disutility of space, by distance; and the disutility of time, by time itself. For

many purposes of measurement a unit of weight only is required; for other measurements a unit of distance or of time will suffice; in still other cases a unit including weight and distance, but not time, is a convenience—as the foot pound. But weight, distance and time are all requisite for a universal standard for the measurement of energy. This universal or absolute standard consists of an energy which will move a given mass a given distance against the force of gravity in a given time. More specifically, it is a force which will move one pound against the force of gravity one foot in one second, and is known as the “foot pound second” unit of energy.

In a similar way any universal standard for measurement of value must contain a unit of each disutility. In Economics the disutility of matter is represented by the labor-power necessary to overcome it; the disutility of space, by the location and area of particular land-forms; and the disutility of time, by time itself. As value is a resultant of economic conditions and not a force, so its standard of measurement must be a resultant and not a force. The standard unit of value must be the resultant of a unit of labor-power exerted upon a unitary or marginal land-form for a unit of time. It must be a “labor time land” unit of value; it can then furnish the basis of measurement for any and all normal values whether distinctively labor values, capital values, or land values.

There is this characteristic difference between the physical and the economic standards. In the former, the elementary units of matter, time and space may all be definitely fixed, and the resultant standard is therefore

constant. *One pound* (at the level of the sea) is the same yesterday, to-day and to-morrow. *One foot* is the same at all times and in all places. *One second* is a fixed period of duration everywhere. Having a fixed standard constant in all its elemental units, Physics ranks among the exact sciences. Not so with Economics. Two of the elementary units of its standard are subject to change, and the resultant standard is therefore variable. This it is, more than aught else, which has caused such great confusion in thought upon the subject of value, and which accounts for the chaotic condition of economic discussion viewed as a whole.

The elementary units of the economic standard which are subject to variation are those of matter and space—typified by labor-power and land-forms. We may choose a unit of time in Economics, as in Physics, and this unit is constant. But the marginal land-form which is the unit of space to-day may not be so next year, and as the marginal land-forms shift from one location to another, the resistances to labor-power of the matter of which they are composed will vary also. Moreover, an exact and constant unit of labor-power is unattainable. The utmost that the economist can do is to determine upon a practical standard which contains elementary units of all three kinds and then develop the laws which govern their variations.

The nearest approach to constancy in the matter of labor-power is in what we have called common labor-power. We repeat the definition:

Common Labor-Power is labor-power exerted with only ordinary skill and unattended by the use of capital-forms.

The most constant return to common labor-power is that which results from its exertion upon the economic margin. And for all purposes one day is the most practical unit of time. We may therefore determine upon and define the economic standard of value as follows:

The **Economic Standard of Value** is that value which results from the exertion of one day's common labor-power upon the economic margin.

Values are commonly expressed in terms of money. For this reason the monetary unit, or legal standard of value, should coincide with the economic standard. The fact that it does not has given rise to a world-wide discussion concerning the monetary standard of value, in which discussion neither side has taken economic grounds as the basis of its contention. The "money question" is no nearer a permanent solution than heretofore. Neither the "single" nor the "double" standard of coinage includes all the elemental units. But these matters belong to Political Economy.

It will be noted that the economic standard of value differs from the marginal return in two of its elements. The time of the economic standard is limited to one day and its labor-power to common labor. The marginal return may apply to any grade of labor-power exerted for any length of time, provided it be exerted upon the economic margin. The gist of the marginal return is that it is the result of *any given* disutility exerted for *any given* time upon the economic margin; while the economic stand-

ard is limited to a *particular* disutility exerted for a *particular* time upon the margin. The marginal return furnishes not an economic measure, but an economic starting point for the measurement of values, and a basis for the comparison of net values. It is itself measured by the economic standard of value.

The marginal return to the common laborer, when confined to one day's time, is the same as the economic standard. If a man has unusual skill, his return upon the margin is greater than that of the common laborer, but in the exchanges of the market the common laborer tends to be one of the marginal pair, not only of the labor market, but of the market in which the products of superior skill are sold. Besides, the difference in skill between the two is only relative. The greater the return to common labor upon the margin the greater the return to superior skill applied thereon, and *vice versa*. The common laborer fixes the marginal wage. The skilled laborer may not despise the "mud sill." The artisan will look in vain for higher wages, if he takes his eyes from the man who works at the margin and fixes them upon his employer because of the latter's ability to pay. The market for wages, as for aught else, is regulated, not from the top, but from the bottom. The most important personage in the whole field of Economics is the man who exerts common labor at the margin.