

CHAPTER II

The Theory of Value

1. THE IMPORTANCE OF THE PROBLEM OF VALUE.
2. SUBJECTIVE AND OBJECTIVE VALUE; DEFINITIONS.
3. UTILITY AND VALUE (SUBJECTIVE).
4. THE MEASURE OF VALUE AND THE UNIT VALUE.

I. *The Importance of the Problem of Value.*

THE problem of value has constituted a fundamental question of political economy since the earliest days of the science. All other questions, such as wage-labour, capital, rent, accumulation of capital, the struggle between large-scale and petty operation, crises, etc., are directly or indirectly involved in this fundamental question.

"The theory of value stands, as it were, in the centre of the entire doctrine of political economy," Böhm-Bawerk rightly observes. (*Grundzüge der Theorie des wirtschaftlichen Güterwerts*, p. 8.) This is not hard to understand; price, and therefore the standard determining price—which is value—is the fundamental all-embracing category in the production of commodities in general and in the capitalist production of commodities in particular, whose child is political economy. The prices of commodities regulate the distribution of the production forces of capitalist society; the form of exchange, whose presupposition is the category of price, is the form of distribution of the social product among the various classes.

The movement of prices leads to an adaptation of the supply of goods to demand, since the rise and fall of the rate of profit causes capital to flow from one branch of production to another. Low prices are the weapon by which capitalism cuts its path and finally conquers the world; it is low prices that enable capital to eliminate artisan production, to supplant petty operation with large-scale operation.

The contract between the capitalist and the worker—the first condition for the enrichment of the capitalist—assumes