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EDITORIAL

GOLD AND PRICES, ONCE MORE.

By DANIEL DE LEON

DR. WALTER RENTON INGALLS, Editor of the *Engineering and Mining Journal*, is among those who dissent from the theory that the large output of gold is the principal cause, or any factor at all, in the rise of prices. Dr. Ingalls' reasoning is this: The statistics of gold production and commodity prices since 1851 prove that there has been "no constant coincidence" between high and low commodity prices, and high and low gold production; consequently the output of gold has no connection with high prices.

Upon parallel lines reason those who seek to disprove the Socialist principle of exchange value and its relation to prices at given times. They argue: If the labor crystallized in commodities is the measure of value, then, just so soon as an invention is made whereby a manufacturer can produce more plentifully in less time, prices must decline; fact is prices do not decline in any such way; hence there is no connection between labor-power and value.

The reasoning sounds correct; yet, look below the surface.

What is it that happens when one manufacturer operates his plant with methods not known of by the others? What happens is that such a manufacturer, by keeping his secret, places on the market goods containing less labor power, hence less valuable, beside other goods produced by manufacturers to whom the secret remains a secret. Just so soon, however, as the secret gets abroad and is availed of by all competitors, prices come down and adjust themselves to the actual value. To put it in other words{,} when the secretive manufacturer sold at the old price, and thereby made larger profits than his competitors, he was raking in a price that was above the actual value of his goods. The proof of it is the immediate decline of the prices with all the competitors so soon as all are in the secret.

So with the gold output. The output may go up and yet prices may remain stationary. It does not follow that there is no connection between the two. As with goods manufactured more cheaply by one firm only where the fact of the decreased value is not generally known, it takes time for the increased output of gold to become so obvious as to tell. So long as the increase is slight; so long as the increase does not cover a period large enough to be felt; just so long will there be no effect felt, by commodity prices, of the increased output of gold. Just so soon as both in point of time and quantity the secret is out, the intimate connection will be found between cheaper gold and other commodities the output of which has not likewise increased.

To deny any connection between the output of gold and other commodities, is like denying the connection between the output of one commodity with another—an economic irrationality.

Transcribed and edited by Robert Bills for the official website of the Socialist Labor Party of America.
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