YOU CAN'T STRIKE AGAINST THE MARKET

HARRY L. SMITH

EMPLOYERS do not determine wages. Most of them would like to. Many of them think they do. But they can't. Why? Because the market steps in and holds them rigidly in its grasp.

The market is an abstract concept, just as is the center of gravity, moment of inertia, or metacentric height. Abstract thought originates in the minds of genius and is the only key to the secrets of the universe. It is the primary difference between man and animal. Mankind has usually reacted to the innovation of abstract thought with incredulity and animosity. Copernicus, Galileo, Newton, and Bacon all suffered ridicule and outright persecution for their ideas. Luckily mankind has now been sufficiently conditioned by rapid scientific advancement to accept on faith such things as Einstein's collapsible time and curvable space. Engineers know that they are bound by the laws of nature.

While physical science now seems to be safe from the prejudices of mankind, new fields of abstract thought are causing man to react as badly as did his medieval ancestors. The field of economics has become the new intellectual battleground, and the concept of market value versus labor value is the abstract concept which has literally divided the world.

The true and real value of any economic good is determined by the amount of labor required to give it utility, said Karl Marx. This concept struck an immediate chord of response among workers, who saw themselves as the only creators of wealth, and formed the basis for a flimsy pretext to confiscate private property in the name of the workers who had "created" it. Communists have sought desperately, but vainly, for a mathematical formula which would relate value and labor.

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Combination of Cost Factors

The vast majority of worldly wealth is produced by a proper combination of cost factors. The market determines the value of any finished product. It also determines the value of each element of cost entering into its production. The entrepreneur must accept the "going price" of labor as determined by the market. Entrepreneurial ability enters the picture by properly combining cost factors. In this manner, the businessman can use his ingenuity and skill to determine total cost. The difference between this total cost and the market price of his product constitutes his profit.

By disregarding the concept of the market, communists and socialists presume that values can be determined by law. Consequently, they insist that it is better for "disinterested" politicians to determine values than for "self-interested" businessmen.

Self-interest is the basis for all economic stability and is the balance wheel of the market. In the specific task of searching for the market value of an hour of labor, employer and employee face each other on the see-saw of self-interest, each free to take or leave the price offered. It would be impossible to come even close to this elusive value were it not for the opposing forces of self-interest.

The laborer can enhance the market value of his services through experience, education, and dexterity. The businessman can affect the market value of his product through improvement of quality and service. This leads to the illusion that they can control the market, either singly or collectively. When working deep within the economy, both employee and employer often lose the perspective of the over-all market economy which finally establishes all values. This myopia has proven ideal for the introduction of Marxist concepts into Western civilization.

Supply and Demands Versus the Boss

Today the free market economy is regarded as an impractical the-