

SUBJECTIVE and SOLIDARITY ECONOMIC THEORY (SSET)



The dominant economic theory is incorrect. In this book is demonstrated that economic theory must be built on the basis of subjective relative values (utility), not in term of prices (supply and demand), as the current (classical-neoclassical) economic theory wrongly establishes, based in the failed of theory of objective value.

The socio-political confusion between the technological advance (son of the hard sciences), and social crises (with epicenter in the failure of economic theory) will have a solution in the light of the Subjective and Solidarity Economic Theory (SSET), present in this book. The SSET refutes the statement of J.S. Mill that the theory of value and prices was complete, while demonstrating that he values is measurable and the positive correlation between inflation and unemployment.

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SUBJECTIVE and SOLIDARITY ECONOMIC THEORY (SSET)

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SUBJECTIVE and SOLIDARITY ECONOMIC THEORY (SSET)

*Economic dilemma:
equalize the different*

ABSTRACT

Common sense, and economic theory, considers that:

- Two bills of the same denomination are the same:

$$\$100 = \$100$$

- A \$100 bill in hands of Pedro has a different *relative value* than in hands of Ricardo:

$$\$100\mathbf{P} \neq \$100\mathbf{R}$$

- If Pedro possesses 1.000 \$ bill 100, the first one possesses major relative value than the thousandth one:

$$\$^{1^{\circ}}100\mathbf{P} > \$^{1000^{\circ}}100\mathbf{P}$$

- A \$100 bill in power of Pedro Poor person possesses major relative value than the same bill of \$100 in hands of Ricardo Rich:

$$\$100\mathbf{PP} > \$100\mathbf{RR}$$

This way, the task consists of resolving:

Economic dilemma: equalize the different

The dilemma is solved by relative values (theory of subjective value of Menger), not by price (classical-neoclassical theory of objective value). This is so insofar as equality is only seen in the equation where is no human presence ($\$100 = \100), unlike the three inequalities, which originate precisely the human presence: P and R.

Solving the dilemma will allow us to understand the efficient and equitable economic evolution of a society —the underlying idea in “invisible hand” of Adam Smith — as well as to demonstrate that *value is measurable*, and the *neutrality of the economic unit of measure*, not of the currency.

The theories presented here can be interpreted as a continuation of those presented by **Carl Menger** in his famous work *Principles of Political Economy*, of the late nineteenth century, without theoretical scales proposed in the twentieth century.

As a synthesis of the economic theory that we present, we say that: using only the available quantities (q_i) and exchanged (q_i) of economic goods —whose behaviors are subject to the validity of the laws of decreasing marginal utility of wealth, and the law of relative marginal of exchange —, it is

sufficient to understand the economic evolution and its degrees of efficiency and equity. We will also understand that currency is equivalent to a mere technological advance, as such enhances economic evolution. Not having been theorized in this way has been the origin of the harmful currency-financial institutions in force, which are the cause of the recurrent crises, of inefficiency and inequality in economic evolution, essentially those operated from the twenty century.

SUBJECTIVE and SOLIDARITY ECONOMIC THEORY

*If by science we mean
the true knowledge of things,
according to its principles and causes,
the economy is a science.*

INTRODUCTION

It is prudent to introduce ourselves through a summary of the content of each chapter and annex of the work, essentially as regards the new entities that we incorporate into the economic analysis.

Chapter I – The human condition: in this chapter we set the right framework within which economic theory must be made, based on human nature.

Chapter II – VALUE: from the theory of the subjective value of Menger we determine that the value is measurable, as a function of the *law of decreasing marginal utility of wealth*. This circumstance allows us to present *the general equation of the decreasing marginal utility of an economic good*, and from there, deduce the *relative value* of the economic goods that are exchanged. By means of these relative values we obtain the prices that originate in every exchange.

Chapter III - PRICES: these are determined by the subjective utility, which the participants assign to the economic goods that intervene in the exchange — the costs have no participation in the formation of prices. Our decreasing marginal utility curve differs completely from the Marshallian demand curve, which demonstrates the erroneous view of Schumpeter by assimilating the marginal utility of Menger with demand curve of Marshall.

Chapter IV – “THE” VALUE ↔ PRICE RELATION ($U \rightarrow q_t \leftrightarrow q_i$): here the analysis derived from the relationship between these entities is completed. The *causal relationship*: values determine prices; and the *observational factual relationship*: prices allow us to measure values. That is why we have put an arrow with two meanings: the *causal relationship*, which goes from value to prices, and the *factual relationship of economic calculation*, which goes from prices to value.

In this chapter we enunciate the *law of relative marginal utility of exchange*, a kind of scientific formulation of the law of association.

Chapter V - UNIT OF ECONOMIC MEASURE: here we can see that the theory of economic unit of measure is independent of the theory of currency. At the same time, through the use of an economic unit of measure, it is corroborated that relative values determine prices — theoretical demonstration of the feasibility of calculating currency wealth without the contest of the currencies prices. We will demonstrate the INVERSE CAUSALITY OF THE UNIT OF ECONOMIC MEASURE, in relation to that which we know in the generality of the sciences. The scientific explanation of the inverse causality of the economic unit of measure will allow us to clear all the haze that hangs on the “theory”

of the currency: we will have a theory of economic unit of measure, and a simple technical analysis of the economic good currency as a means of exchange in common use.

In this chapter we develop *the theory of the neutrality of economic unit of measure*, for the economic calculation, with which all consideration of putting forward a theory on the “neutrality of the currency” is banished. Finally, we postulate and demonstrate the ***Theorem of the economic unit of measure***, and its corollary.

Chapter VI - ECONOMIC CALCULATION — how to measure the value of wealth: as its title indicates, here we submit to factual proof the idea of measuring the value of wealth.

Chapter VII - EFFICIENT DISTRIBUTION OF WEALTH: we refer to the two components in which wealth must be analyzed, its physical distribution (according to the economic goods that compose it) and its proprietary distribution (depending on his who own). Here we present our theory of the distribution of wealth (physical and proprietary) that contemplates the four human actions that determine both: exchange + generate + destroy + conserve wealth. As can be expected, the four human actions that determine the distribution (physical and proprietary) of wealth are also explained by means of the two fundamental laws of economics: the law of decreasing marginal utility of wealth + law of relative marginal utility of exchange.

Chapter VIII - THEORY OF EFFICIENT AND EQUITABLE ECONOMIC EVOLUTION (E⁴): we may well say that this section demonstrates the existence of economic science, without recourse to the obscurantism present in “the invisible hand”, for which we prefer to call it ***Theory of efficient and equitable economic evolution (E⁴)***.

Chapter IX - THE FAILURE OF THE CLASSICAL-NEOCLASSICAL THEORY: as expected, as our theory contradicts it from the outset (our subjective value versus its objective value) to purpose (differences of theories and causality of the same), here we present the demonstration of the failure of classical-neoclassical theory, and at the same time serves as corroboration of the presented here.

We refer to classical-neoclassical theory as a single theoretical body, while what is known as neoclassical theory is classical theory with marginal mathematical calculation. This constitutes a further failure to apply adequate mathematics to an inadequate logic, as well as the mathematical corroboration of our theory implies that it is a very suitable tool for economic science. We estimate that economic theory wasted throughout the twentieth century on the unfortunate criterion of not applying mathematics to the economic theory of Menger. In order to demonstrate this, it is enough to observe how the “beautiful mathematical expression” of the misguided classical-neoclassical theory dislodged from the cloisters the economic science based on the correct logic of Menger.

Chapter X - NEOCLASSIC JEVONS: here we will appreciate another case where the mathematics is not the problem, but the misuse that is made of it. Yes, although Jevons aptly approved the use of mathematics in economics, at the moment of using it to “formulate” the theory of subjective marginal utility he committed a mistake, so fatal, that we can consider it the beginning of the present fault in the theory of the neoclassical distribution —from the prices.

Annexes A and B are dedicated to the presentation of practical cases, in order to contribute to a better control of the theories presented here. Annex C summarizes the essential differences of our *economic theory* with known ones.

In Annex D we express our *theory of economic time*, and that of its price *theory of interest*, which we called the Theory of Economic Relativity (TER), depending on the tools developed in this work. Although the theory of economic time has been one of my first discoveries, in the economic theory that I present here, I should not let myself be snatched by that circumstance and give it the status of a chapter. I consider that it must be an annex, precisely because of its character as a variable dependent on the quantities (q_t and q_i) and the laws of the value that governs them —time must be studied in each science, *but* confirm the dependent of entities of each one of them.

The **Subjective and Solidarity Economic Theory (SSET)**, here exposed, is based on **Subjective Value Theory**. Value feasible to measure through the dimension **Utility**, which provides the **wealth**: value of the quantities of economic goods in stocks (q_t), and exchanged (q_i).

Insofar as this *new Economic Theory (SSET)* allows to explain and understand the behavior of wealth (value of q_t and q_i) in a society, according to the natural laws of marginal utilities —decreasing wealth and relative exchange—, one can clearly see the difference with the traditional economic theory, which seeks to understand and explain economy based on prices-costs.

Thus, J.S. Mill was correct that a theory of adequate value is the essential basis for building an economic theory, but he did so from his vantage point of the theory of objective value from which he assimilated value to price. So convinced was he ventured to say:

“Fortunately, there is nothing left to clarify in the laws of value, neither for the present writers nor for the future: the theory is complete.”

He quotes that Marshall, in the same way ratified:

“Thus, this book is not descriptive, does not deal constructively with real problems, but establishes the theoretical foundation of our knowledge of the causes that govern value ...”

In this *new Economic Theory (SSET)* shows that the economy has to do with relative values, determinants of relative prices. We can say that **economics is the science of the study of relative values**.

The relative values allow us to understand the fundamentals of an ***Efficient and Equitable Economic Evolution (E⁴)*** of a society, where each and all is better. Unlike the current state, characterized by inefficient and inequitable distribution of wealth, with recurrent (and necessary) crises, that is a consequence of the existing institutions, arising under the theory of objective value: prices-prices.

The greatest backwardness of human knowledge is in the social sciences. Among them, the one of greater influence is the economy. In this paper the fatal error of the economic theory that we know, that of pretending to explain in terms of prices-costs, is amended.

Thus, the failures of economic-social institutions recognize their origin in the failure of the theories that gave rise to them. **The economic theory was not consistent**.

As in many aspects of humanity, the advancement of science has enabled us to find solutions to problems that were considered as preponderant springs of politics, ethics, morals and/or religion. I believe that the **SSET** will be able to collaborate on the economic necessities.

The **SSET** is guiding us and reversing the relative backwardness of economic and social institutions, facing a new world of vertiginous and constant technological changes —an explosive mix that explains the prevailing political-social bewilderment.

The **SSET**, through relative values, allow us to understand and measure “the invisible hand” of Adam Smith.

“...TEXT EXCERPTS...”

General equation of the marginal utility of an economic good ($q_t \leftrightarrow q_i$)

Attentive to the seen, it is methodologically prudent to treat algebraically the subject that occupies to us: *measure the value*. This is done by using an equation, which is not only simple but also a kind of symbol of decreasing marginal equations, applicable in the domain of real numbers (q_t and q_i).

Having said the above, we can either adopt the *general equation of the decreasing marginal utility (U_m) of an economic good (q)*, to the following expression:

$$Um_{q(x)} = q_t / q_x$$

(whit $x \leq t$)

Where

- $Um_{q(x)}$ = function of marginal utility of economic good q , provided by unit x (our previous n).
- q_t = total available quantity of the economic good q .
- q_x = unit x of q , belonging to the stock domain of t ($x \leq t$). This condition guarantees the presence of the *closed box* model, the extension of the path of the function (ordinate) is identical to the extension of the domain (abscissa), both equivalent to the total stock of the economic good considered (q_t). That is totally related to the essential entities of the economy: the *utility of the limits* imposed by the stock of available economic goods.

As we can see, we are in presence of the knowing function:

$$f(x) = 1/x$$

Whose integral is:

$$F(x) = \int (1/x) dx$$

Functions, derivative and integral, which differ only from ours in that the numerator (as it is the total stock that is available) must maintain the condition of positivity. That is, our general equation of the decreasing marginal utility law has the form of:

$$f(x) = a/x$$

Whose integral is:

$$F(x) = a \int (1/x) dx$$

With the single constraints of $a > 0$ and $x \leq a$, we only refer to the positive quadrant —positive coordinates— of the Cartesian coordinate system, in tune with our graphs.

Finally, we can express the general integral by adding a constant, this way we would have:

$$G(x) = F(x) + c = a \int (1/x) dx + c$$

Having said all of the above, we will work with the general equation of the marginal utility of wealth:

$$U_{qi} = q_t / q_i$$

...

Equation of relative value of wealth

... The solution to the problem of finding equality where there is difference is to achieve an *equation that equals the two terms, while retaining their differences*. Which gives us to this simple equation of **equalize the difference**:

$$U_x = U_y * v_{x(y)}$$

Equation that retains the different valuations of U_x and U_y while expressing the “equality”-agreement that allows the exchange. This equation allows us to note the presence of the relative value of the utility of one good in relation to the other — $v_{x(y)}$ and $v_{y(x)}$ —, where both sides will be satisfied for having obtained utility in the act of interchange.

We only need to determine $v_{x(y)}$, which we obtain by simply passing terms:

$$v_{x(y)} = U_x / U_y$$

... $v_{x(y)}$ is the: **relative value of x over y**.

$$v_{y(x)} = U_y / U_x$$

$v_{x(y)}$ is the: **relative value of y over x**.

...

The marginal utilities determine the relative values.

The relative values determine the exchanges.

The exchanges determine the relative prices.

“... Thus, we can well reflect that:

As prices are the quotient of quantities exchanged, it is strange to first determine the prices, as a function of the relative values, and then the quantities exchanged.

...

“... reflect a relationship of extreme importance in economic analysis:

$$\uparrow \mathcal{S}_i \rightarrow \downarrow q_i$$

$$\downarrow \mathcal{S}_i \rightarrow \uparrow q_i$$

Thus, the increase in the stock of an economic good, relative to the same stock of another economic good through which it is exchanged, implies a fall in the exchanged quantities of the latter —by increasing its relative value: $\uparrow v_{q(\mathcal{S})} \rightarrow \downarrow q_i$.

This is why we have presented this negative correlation in relation to the stock of currency ($\$_t$), which is the one that has the largest share in trade with all other economic goods (q). This negative correlation, between $\$_t$ and q_i , **CONTRADICT, NO MORE AND FULLY** the foundations that encourage “**expansive currency policies**”.

...

Conclusion

In sum, we have established these central aspects of “*the*” *theory of economic unit of measure*:

- The *relative values* determine prices.
- The *observable economic* dimension is the price.
- The *relative “abstract” values* become observable through the prices.
- *The economic unit of measure belongs to the price dimension*: as long as it is the observable dimension.
- *The economic unit of measure is the price of the currency*, due to its universal participation in the determination of (currency) prices, according to the infinite amount of exchanges of time, unique and unrepeatable, in which it defines its price and currency universals.
- *The inverse causality of the economic unit of measure* (in so far as it is a price) tells us that: the price of the economic unit of measure is determined by the other economic goods in, and for, each exchange in which it participates.
- In an exchange, the prices of the two intervening goods are determined simultaneously, which generalizes *the presence of the inverse causality of the price in general, not only that of the currency*. Thus, the *inverse causality of the unit of economic measure* ratifies, again, its character of price.
- *Variation of the unit of economic measurement*: it is more appropriate to study the variations of the economic unit of measure, from its theoretical *inverse causality*. Situation that can be summarized as follows:

The inverse causality of the economic unit of measure implies its double condition of: dependent variable - not constant.

Only scientific positivism could express in terms of general price variation, what is a variation of the unit of measure of prices.

It should be noted that the inverse causality of the currency, which is the essential cause of the impossibility of its constancy in the time —which in itself should exempt us from the attempt of the theoretical approach to analyze its constancy— is the one that allows us to appreciate the price of the unit of measure *per se*, as it is produced in every economic good.

In this way the universality of the price of the currency is understood, as it is obtained in function of the currency prices of all the non-currency economic goods that are contemplated in the calculation.

- *Independence of the theory of economic unit of measure*: there is a theory of economic unit of measure, independent of the theory of the currency —a topic that we extend in this text—, which Menger (1985) had already “hinted”:

Note 18: ... Therefore, the function of price measurement is not necessarily linked to goods having a currency character, nor is it a necessary consequence of the latter, although it is at least its *cause* and its budget. Otherwise, it is usually an excellent measure of prices ... (p.245). *Bold and proper italics, about original in Spanish text with own English translation.*

It is evident that our theoretical conclusion is in line with the expression of Menger, although this one is quite imprecise and indefinite.

In line with the foregoing, we must not forget the fact that the unit of measurement of prices must be a price does not necessarily imply that it is that of the currency, understood by it to mean of change of common use. There have already been proposals to use a set of certain economic goods as a unit of measure. Proposals that failed to determine what should be constant, falling into the mere dispute over whether the constancy should be in the price or in the mix of physical units of the economic goods that would make up the basket. Problem that appears and it is not possible to elucidate without a theory of the appropriate economic unit of measure (*inverse causality*), independent of currency theory.

- *The theoretical inconsistency* of thinking about an absolute economic unit of measure, specifically of *constant dimension 1*. Theoretical foundation that can only arise from ignoring the *relative* condition possessed by all prices —potentiated when we speak of the *relative value*, and the *inverse causality*, of the particular currency.

At this point, we may well ask ourselves: What does this new theory of *inverse causality* of the unit of economic measure mean in the *paradigm* in which we have been formed?

...Thus, it is evident that:

The causality of measuring goes from economic goods to the unit of measure.

Thus, we can summarize this principle of economic unit of measure:

In economics, the unit of economic measure has no universal dimension.

The great question then arises, which is not observed in other sciences:

How can we measure using a unit of measure whose dimension will be known a posteriori of the act of measuring?

It is evident that the precedent expressions are a quite surprise. In so far as it would imply, plain and simple, ask us:

How can we determine the “universal” price of economic goods without first knowing the dimension of the “universal” unit of measure?

It is the question that moves the search for the solution, to the encounter of a theory of the unit of adequate economic measure, independent of the theory of the currency. A solution that can only come from considering that the unit of economic measure belongs to the *price dimension* —not the good economic entity— which is subject to *inverse causality*.

With all of the above, we believe that we have deciphered the theoretical enigma in which the theory of economic unit of measure has always been enclosed. Yes, we have been able to obtain a theory that allows us to understand all the efforts with which the subject was intended to be understood. Non-organic or systematized efforts, insofar as:

- It was not understood that it was an independent theory of currency theory. Rescuing the outline presented by Carl Menger.
- That it was adopted as an economic unit of measure to the price of the currency is what it lost to the economic theory, from that it was tried to analyze to the unit of economic measure in function of the entity currency—not of its price—, to which he was surrounded by an unnecessary special theory. A circumstance that led to the attempt to study the economic unit of measure in terms of the quantities of currency available, forgetting that the unit of measure is the price of an economic good, not its quantity, in which your stock has influence (\mathcal{S}_r and \mathcal{S}_i). That is to say, the misplacement of economic theory consisted in considering the currency as unit of measure, not its price, entity without which it is not feasible to apply inverse causality.

...

Broad correlation of the relative value of the economic unit of measure

$$\uparrow v_{\mathcal{S}(q)} \leftrightarrow \downarrow \mathcal{S}_i \leftrightarrow \uparrow q_i$$

If we consider the price of the currency as an economic unit of measure, the correlation can be summarized as follows:

The correlation of the relative value of the economic good that officiates as unit of measure [currency $v_{\mathcal{S}(q)}$] is: NEGATIVE with respect to the amount exchanged of said economic good [currency $\uparrow v_{\mathcal{S}(q)} \leftrightarrow \downarrow \mathcal{S}_i$] and POSITIVE with respect to the amounts exchanged with the other economic goods [currency $\uparrow v_{\mathcal{S}(q)} \leftrightarrow \uparrow q_i$].

Which, in turn, we can compress even more:

Restricted correlation of the relative value of the economic unit of measure

$$\uparrow v_{\mathcal{S}(q)} \leftrightarrow \uparrow q_i$$

Correlation that yes allows us to speak of the neutrality of the unit of economic measurement for economic calculation—as it is a price—, just as we have disqualified any claim to refer to the neutrality of the currency—as much is an economic good. That is to say, by preserving the negative correlations between the relative value of an economic good and its exchanged quantities, we have shown *the positive correlation between the*

relative value of the economic good used as unit of measure and the exchanged quantities of the other economic goods. Positive correlation implies neutrality of the economic unit of measure.

It is important to note the relevance of the neutrality of the relative value of the economic unit of measure, since it guarantees the preservation, in the “currency” economic calculations, that the unit of economic measurement does not alter the negative correlation present in all economic good $\downarrow v_{q(s)} \leftrightarrow \uparrow q_i$. On the other hand, the neutrality of the economic unit of measure becomes a necessary condition for the solution of the **economic dilemma in a society: equalize the different**.

...

Theorem of the unit of economic measure

Now we only have to convert into theorem what we have demonstrated in the previous section $\uparrow v_{s(q)} \leftrightarrow \uparrow q_i$. Now we prove it only in terms of the negative correlation between the relative value of an economic good and its quantity exchanged $[\downarrow v_{x(y)} \leftrightarrow \uparrow x_i]$.

Note that the axiom of the ONE of the relative values $[v_{x(y)} * v_{y(x)} = 1]$ and the negative correlation between the relative value of each economic good, with the quantities of it exchanged $[\uparrow v_{x(y)} \leftrightarrow \downarrow x_i]$, we can show the **positive cross-correlation** between the relative value of one economic good and the quantity exchanged of the other economic good $[\downarrow v_{x(y)} \leftrightarrow \downarrow y_i]$, whose summary we summarize thus:

$$\downarrow v_{x(y)} \leftrightarrow \uparrow x_i$$

$$\uparrow v_{y(x)} \leftrightarrow \downarrow y_i$$

$$v_{x(y)} * v_{y(x)} = 1$$

This implies completing the table of correlations in this way:

$$\downarrow v_{x(y)} \leftrightarrow \uparrow x_i \leftrightarrow \uparrow v_{y(x)} \leftrightarrow \downarrow y_i$$

If we consider only the extremes of the expression we have the positive correlation that we wanted to demonstrate:

$\downarrow v_{x(y)} \leftrightarrow \downarrow y_i$
--

Thus it is evident that, the correlation between the relative value of the economic good used as a unit of measure of all economic goods $[v_{s(q)}]$, in each of the exchanges $[q_i(s)]$ in which it forms part, we will always have this positive correlation:

$$\downarrow v_{s(q)} \leftrightarrow \downarrow q_i(s)$$

$$\uparrow v_{s(q)} \leftrightarrow \uparrow q_i(s)$$

Which we can summarize in this simple table:

$\uparrow v_{s(q)}$	\leftrightarrow	$\uparrow q_i^1$
		$\uparrow q_i^2$
		$\uparrow q_i^3$
		$\uparrow q_i^4$
		$\uparrow \dots$
		$\uparrow q_i^n$

This positive correlation is precisely what bases the relevance of having a theory of economic unit of measure in terms of relative values, which makes our concept of neutrality the economic unit of measure $[\downarrow v_{q(s)} \leftrightarrow \downarrow q_i]$ in:

THEOREM OF THE UNIT OF ECONOMIC MEASURE

The correlation between the relative value of the economic good used as economic unit of measure is positive with respect to the quantities of economic goods exchanged by it.

We cannot conclude this chapter without mentioning the bases of the neutrality of the economic unit of measure with the tautology of exchanges $\$ = \mathbf{I}$. What is known as “Law” of Say.

...

Currency wealth, from relative values

In order to solve this singular proposal, to calculate currency wealth without the aid of currency prices, but from relative values, we must first obtain the currency wealth equation in function of relative values, and then corroborate that it throws us the same results we obtained in the previous section.

We already know how we have calculated currency wealth in terms of currency prices, which is the traditional composition of accounting assets. The equation is as follows:

$$R^T_{(s)} = \$_t * P_{s(s)} + a * P_{a(s)} + b * P_{b(s)} \dots + n * P_{n(s)}$$

Where the total currency wealth is the sum of the multiples of the different quantities of economic goods where the total currency wealth is the sum of the multiples of the different quantities of economic goods ($a \dots n$) by their respective currency prices $[P_{a(s)} \dots P_{n(s)}]$. Of course, we already know that 1 is the currency price of the currency $[P_{s(s)} = 1]$.

Equation that we can express in function of the relative values, while we know that $P_{x(s)} = \$_t / [v_{s(x)} * x]$, let us now see the new expression of $R^T_{(s)}$:

$$R^T_{(s)} = (\$ * 1) + \{(a * \$) / [v_{s(a)} * a]\} + \{(b * \$) / [v_{s(b)} * b]\} \dots + \{(n * \$) / [v_{s(n)} * n]\}$$

Equation where we can simplify terms and obtain this:

$$R^T_{(s)} = (\$ * 1) + [\$/v_{s(a)}] + [\$/v_{s(b)}] \dots + [\$/v_{s(n)}]$$

Equation that we can express thus:

$$R^T_{(s)} = \$ * \{[1 + [1/v_{s(a)}] + [1/v_{s(b)}] \dots + [1/v_{s(n)}]]\}$$

Expression that we can express in this way, from the inverse relative value:

$$R^T_{(s)} = \mathcal{S}_t * [1 + v_{a(s)} + v_{b(s)} \dots + v_{n(s)}]$$

That is, by knowing the relative values of each economic good with respect to the currency, we can obtain the total currency wealth without knowing the currency prices. This theoretical conclusion is completely independent of the fact that currency prices have to be used in order to obtain relative currency values, as we know that prices arise from values.

...

Conclusion

It is clear that we have been able to clear up the panorama of theoretical confusion that prevails over the issues that have occupied us throughout the work, having arrived at these conclusions, which will surely follow others:

- There is a theory of value (confusedly studied as *use value*).
- The theory of values is that of *subjective value*.
- Value is governed by the law of decreasing marginal utility of wealth. That comprises the law of decreasing marginal utility of an economic good —general equation.
- The value-utility of an economic good is measurable.
- The wealth is a set of economic goods of an economic agent.
- Differences in relative values give rise to the exchange of wealth, which arises according to the law of relative marginal utility of exchange.
- There is a theory of prices (confusedly studied as *value of exchange*), derived-dependent on the theory of relative value, which relieves it at a reliable technical coefficient level to the calculation.
- Relative values give rise to relative prices. This is because the theory of subjective value precedes the theory of prices. Value exists without the need for the existence of prices on the contrary the existence of value is a necessary condition for the existence of prices.
- Prices arise exclusively from utility. This is due to the precedence of relative values (utility with decreasing marginal behavior) on prices.
- Any attempt to “fix prices” violates the laws of decreasing marginal utility of wealth and relative exchange.
- Currency prices are reliable technical data to measure value. The “general” prices, obtained from the use of a unit of measure of common use, are faithful data of the relative values in which they are sustained. Thus currency prices (as they arise from adopting the price of an economic good as a universal unit of measure) allow us to obtain the statistical mean of relative values —they are more than a sign or symbol.
- The neutral economic good does not exist.
- The neutrality of the economic unit of measurement, an essential instrument for the economic calculation, allowed us to express the correlation:

$$\uparrow v_{\mathcal{S}(q)} \leftrightarrow \uparrow q_i$$

This correlation guarantees us the origin of using a price as economic unit of measure, which comes to represent the common factor of universal inverse causality of all prices...

...

Well we can present a synthesis of the *theory of the efficient distribution of wealth*, as we explain the human actions that determine it: generate, exchange, destroy and conserve wealth, which we do in the form of axiom.

We have determined that wealth is distributed according to four well defined human actions:

- *Generate*
- *Exchange*
- *Destroy*
- *Conserve*

But we went further in the analysis, once we discovered that it is these four human actions that determine the physical and proprietary, space temporal, distribution of wealth, we have also determined: 1) that are governed by the law of decreasing marginal utility of wealth; 2) the causal order of utility that guides each of them; 3) the competitive essence of each action with respect to the others; and 4) allowed us to corroborate the presence of relative values and the underlying law of relative marginal utility of exchange. Everything presents a ***framework-foundation-pattern*** that operates as an ***efficient guide*** to human action: natural laws of marginal utility, decreasing wealth and relative exchange.

As a result of all the above, we can conclude with the axiom of the efficient distribution of wealth, which we propose below:

Axiom of the efficient distribution of wealth

The wealth is distributed according to the marginal utilities of the human actions that determine it: in decreasing to generate and conserve, and increasing to exchange and destroy.

...

SUBJECTIVE and SOLIDARITY ECONOMIC THEORY (SSET)

For the practical purposes, expository and cognitive, we can well identify the economic theory here proposed as ***Subjective and Solidarity Economic Theory*** (SSET) —see previous note. This is supported by the theory of ***subjective value*** (governed by the natural law of decreasing marginal utility of wealth) —versus objective value (costs) —, and the ***solidarity*** implicit in the greater efficiency and equity that the human being obtains living in society (governed by the law of relative marginal utility of exchange). Subjective and Solidarity Economic Theory (SSET) that emerges from the human condition of fallible that involves dealing with scarcity, and different, foundation of solidarity to fight against scarcity —a society under the rule of economic natural laws is the best way for you: *each and all better*.

We close the presentation of our proposal of economic theory with these summary tables:

ESTRUCTURE of the SSET

Economy	Subjective	Law of decreasing marginal utility of wealth
	+	+
	Solidarity	Law of relative marginal utility of exchange
S+S+E = SSE		Measurable subjective value through its dimension: the utility
$v_{x(y)} \leftrightarrow p_{x(y)}$		

EPISTEMOLOGIC ESTRUCTURE of the SSET

Theory of the subjective value
+
Stock of wealth available (q_t) and interchanged (q_i)
+
Natural marginal laws of: Utility decreasing of wealth and relative of the exchange
=
Subjective and Solidarity Economic Theory

SSET versus CURRENT THEORIES

SSET	Current Theories (Classical-Neoclassical-Keynesian-post Keynesian? and Neoclassical Liberals: monetarist-quantitative-“Austrian” post-Menger...)
SUBJECTIVE VALUE	OBJECTIVE VALUE
VALUES	PRICES-COSTS
$\uparrow E^4$ (Efficient and Equitable Economic Evolution)	$\downarrow E^4$ (Economic Evolution that is not Efficient nor Equitable)