

SSET 08 – FACTUAL relationship of the exchange

Having dealt the *CAUSAL Correlation of the Exchange* in SSET 07, we now refer to the *FACTUAL Relationship of the Exchange*, also defined in the new [Subjective and Solidarity Economic Theory](#) (SSET).

The SSET presents the following equation, of the relative value of an economic good (x), with respect to another (y):¹

$$v_{x(y)} = P_{x(y)} * x_t / y_t$$

By means of this equation, we deduce that the relative value of an economic good (x) with respect to another (y) is measurable in terms of *utility*, as a dimension of value, that both manifestations of wealth share² in the economic world that concerns us.

It follows from the foregoing that we can calculate the value through observable entities: prices and total quantities of economic goods. BUT, since the prices are simple coefficients of exchanged quantities of both economic goods, we deduce that the relative values are measurable by means of the quantities of economic goods observed: total and exchanged x_t , x_i , y_t and y_i .³

With this simple equation we reflect what in the new [Subjective and Solidarity Economic Theory](#) (SSET) we called the **FACTUAL Relationship of the Exchange**. This is a relationship that maintains the correlations between value and price, among which we are interested in these:

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

That is, the **POSITIVE CROSS correlation of the exchange** is maintained.⁴ This reflection contains the trap in which the whole economic theory was involved, causal of the institutions that generate the recurrent economic and social crises,⁵ which disconcerts the rulers and the governed.

The *positive cross-correlation of the exchange*, without having specified it as the [Subjective and Solidarity Economic Theory](#) (SSET) does, was what led J.S. Mill and Jevons to equate value and price, giving rise to theories that support the origin of prices in supply and demand curves—unlike the TESS that does so exclusively in terms of relative values, utility.⁶

We will see, in articles prepared for this purpose, how the pretension of *directing* the economy,⁷ via the **FACTUAL relationship of the exchange** (price control, monetary-credit and fiscal policies, etc.), distorts the natural economic world present in the **CAUSAL-NATURAL Correlation of the Exchange**.

We can say that having generated economic institutions, according to factual relationships that do not arise as corroborations of adequate theories, is one of the many expressions of scientific positivism. The right epistemology (Popper) is essential for the elaboration of solid theories.

We reiterate once again:

Misguided theories cause disasters against humanity, greater than any other scourge.

¹ That is among many other forms, according to Table 5 of *Subjective and Solidarity Economic Theory*.

² The dimension of any entity (wealth-value) implies transitive character that allows compare the various elements of that entity (different manifestations of wealth-value).

³ Them, we can re-express the equation like this: $v_{x(y)} = y_i / x_i * x_t / y_t$.

⁴ This is defined by the new [Subjective and Solidarity Economic Theory](#) (SSET).

⁵ After which **inefficiency and inequality** is observed: **destruction and proprietary concentration of wealth**.

⁶ That is like was exclusively postulated by Menger.

⁷ In order to promise: equity, equality, social justice, etc.; welfare economics.

That in economics they produced, and continue to produce, those theories elaborated in function of the failed theory of objective value (quantities), instead of made it in function of the human presence, present in the theory of subjective value. That is, the humanism of the values versus the materialism of quantities (prices).

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