

SSET 01 — DEFINITION of ECONOMIC SCIENCE

The value ↔ price relationship

According to the [Subjective and Solidarity Economic Theory \(SSET\)](#), we can define economic science, such as the:

Study of value

In this work we will give foundation to the own proposal. Already J.S. Mill and S. Jevons said that: *economic theory depended basically on a good theory of value.*¹

In the *Abstract* of [Subjective and Solidarity Economic Theory \(SSET\)](#), we said that $\$100\text{Pedro} \neq \100Ricardo ; $100\$P_{t0} \neq 100\P_{t1} ; $100\$P^1 \neq 100\P^{1000} ;...² We have used the economic good currency-money (\$) as representative of all economic goods, which implies saying that what is affirmed is related to all manifestation of wealth: 1k of bread \neq 1k of bread;...

From the simple reflections above we deduce that the essential entity of the economy, its matter, is the **value**³ that the human being assigns to the things that are useful and scarce.

As we have expressed in previous works,⁴ the human being understands the things that surround him according to a dimension, appropriate to his cognitive capacity; this is how **the utility is the dimension of value**. This utility dimension has a decreasing marginal natural behavior. Law, that extends to all manifestations of wealth, not just one of them.⁵ That is, the law of decreasing marginal utility of wealth is transitive in the scope of the entire manifestation of available wealth.

On the foregoing, the new [Subjective and Solidarity Economic Theory \(SSET\)](#) deduces that:

- The human beings guide their economic behavior to *generate* and *conserve* wealth according to an order from greatest to lesser value (decreasing marginal utility) that wealth brings.
- The human beings guide their economic behavior to *destroy* and *exchange* wealth according to an order from lowest to highest value (increasing marginal utility) that wealth brings.

This is how the human being distributes his wealth.⁶ In this way the human being qualifies what is wealth, as well as assigns value to each of the qualified quantities.⁷ The, we can establish

¹ Too bad they built on wrong (objective) value theory.

² That is, \$100 is not economically equal to another \$ 100, under any circumstance temporary space, despite assuming that \$ 100 = \$ 100.

³ Which is always subjective, it does not belonging to the thing itself, but to the human being who values it.

⁴ [The Economic Calculation...](#) (doctoral thesis) and [Subjective and Solidarity Economic Theory \(SSET\)](#).

⁵ The first Apple can have more value than the first pear, and the second Apple is lower value than the first pear. Then the first and second apple is not equal, because they do not have the same value.

⁶ Unlike the one held by J.S. Mill that put the generation of wealth above the distribution —acts that he considered independent and ordered; that is the origin of everything known as “the theory of the wellbeing”, derive from Pigou.

⁷ From the comparison of utilities (values) the [Subjective and Solidarity Economic Theory \(SSET\)](#) deduces the *relative values* that determine the exchange, from which the exchanged quantities that we observe appear.

relationship between the quantities of the different economic goods for which we opt: 2 pears for 3 apples, for example. Thus it is how we deduce what is called *relative price* [$P_{x(y)}$]: that of one pear with respect to the apple: $P_{p(a)} = 1,50a$, and that of one apple with respect to the pear: $P_{a(p)} = 0,666p$.⁸

This i show the human being warns, through the quantities whose senses allow them to grasp, the presence of the value (utility) underlying each human economic action. In daily life tend to appreciate only the prices that arise due to changes in wealth between different human beings. Interpersonal exchanges that are usually made through a common economic good — the currency (\$) —, selected as such as a technical instrument that facilitates said process,⁹ from which the “currency-monetary prices” of wealth arise: (q): $P_{q(\$)} = x\$$, and $P_{\$(q)} = xq$.¹⁰

Conclusion: a consistent economy theory must be built on the theory of subjective value (as the *Subjective and Solidarity Economic Theory* does), not on the theory of the technical coefficient price — as does any economic theory based on: the curves of supply and demand; distribution of wealth according to $U_a / P_a = U_b / P_b = \dots U_n / P_n = U_\$ / P_\$$; ... and n more topics.¹¹

Then it is pertinent to define **economic science** as the: **STUDY of VALUE**.

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⁸ Commonly expressed as follows: $1p = 1,50m$ and $1m = 0,666p$.

⁹ This is the exchange which is in turn generator of wealth, while all exchange generates value for parties.

¹⁰ From where the SSET rescues the powerful tool of economic analysis: *axiom of the ONE of economic relatives*: $P_{q(\$)} * P_{\$(q)} = 1$.

¹¹ Most of them treated in *Subjective and Solidarity Economic Theory (SSET)*, and to try, like this one, in www.carlosbondone.com, in its section (*application-opinion*).