

SSET 07 – CAUSAL-NATURAL CORRELATION of EXCHANGE

(Value as origin of the prices)

The failed theory of objective value since the epistemological error of W.S. Jevons,¹ define the relation of exchange like:

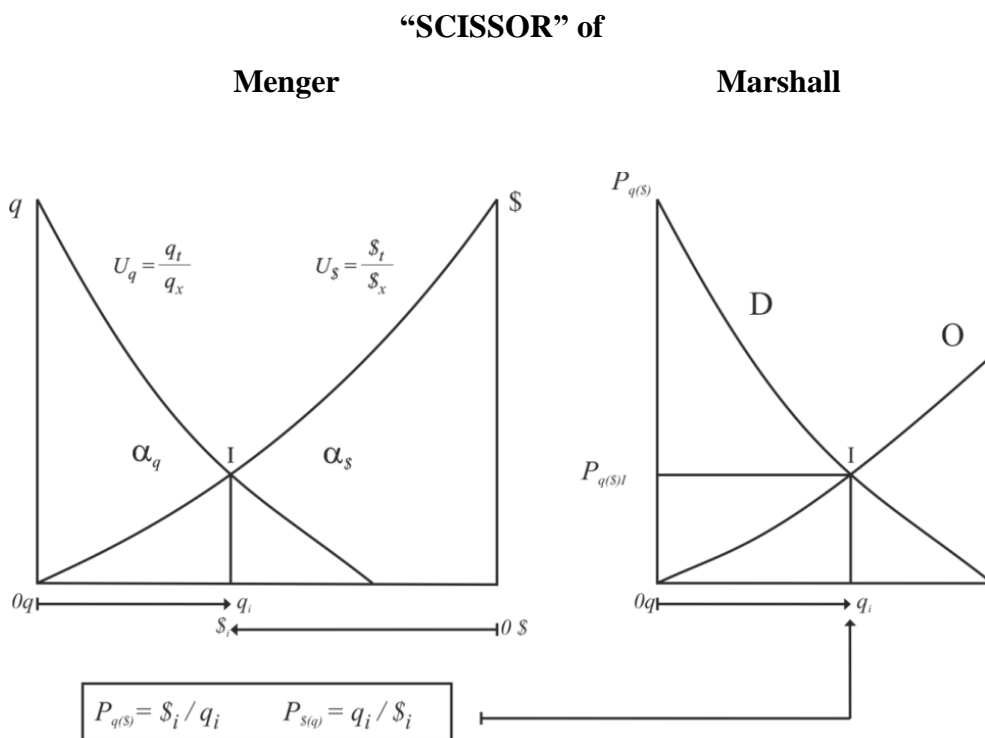
“... reality it is a differential coefficient... show the increase in rate of the quantity of the good bought with what is given in exchange... (P.131) How we will determine the exchange point when it left to be utility? This relationship may include both the exchange relationship and utility grade... “P: 132-133).

The biggest confusion emerge from pretending give precision to exchange act by meant a *mix* both objectivism (exchange relationship) and subjectivism (grade of utilities). But the *mix* collapsed previously in this quote:

“... In other words, the grade of utilities of the two uses must be equal.” (P.108)²

Sentence with which his epistemology is reduced to pure objectivism (quantities exchanged); with which he buries his “grade of utility” (valuations of his theoretical subjectivism).

With the new *Subjective and Solidarity Economic Theory* (SSET), meant “*scissor*” of Menger, we had demonstrated the causal relationship *value* → *prices*, that we express so:



¹ Jevons William Stanley, *La teoría de la economía política*. Ediciones Pirámide SA. España, Madrid 1998. Own translation.

² While the “ingenious” example of Jevons refers to different uses of the same good, it is more appropriate to refer to different goods.

We clearly appreciate that prices emerge exclusively from law of decreasing marginal utilities ³ (dimension of value) of all wealth manifestation (U_q and $U_\$$). So only the theory of the subjective value can explain the natural causality of the exchange. ⁴

The subjectivism of scientific foundations, allow us to notice the **correlation of the economic exchange** between the relative values [$v_{x(y)}$], ⁵ prices [$P_{x(y)}$], total quantities (x_t and y_t) and exchanged (x_i and y_i), of the exchange of two economic goods (x and y):

- Positive correlation of *relative value* with *price*: $\uparrow v_{x(y)} \leftrightarrow \uparrow P_{x(y)}$
- Negative correlation of *value (price)* with owner *exchanged quantities*: $\uparrow v_{x(y)} \leftrightarrow \uparrow P_{x(y)} \leftrightarrow \downarrow x_i$
- Positive correlation of *value (price)* with cross *exchanged of quantities*: $\uparrow v_{x(y)} \leftrightarrow \uparrow P_{x(y)} \leftrightarrow \uparrow y_i$

Since the precedent correlations we deduce the:

CAUSAL-NATURAL correlation of exchange

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

The logical and simple chain of the **CAUSAL-NATURAL correlation of exchange** explains us, with total simplicity, how the **value** (accord the decreasing marginal utilities $U_{x,...,y}$) is the foundations of economic theory to understand the behavior of the **quantities** [q_t , q_i , $P_{x(y)}$ and $P_{y(x)}$].

The **causal-natural correlation of exchange**, ⁶ say us clearly: *the relative value of an economic good have positive correlation with quantities of the another economic good exchanged.*

Since the natural correlation of exchange we deduce la natural correlation of exchange between currency (\$) and de another economic good (q).

CAUSAL-NATURAL correlation of CURRENCY exchange

$$\uparrow v_{\$(q)} \leftrightarrow \uparrow P_{\$(q)} \leftrightarrow \downarrow \$i \leftrightarrow \uparrow q_i$$

This correlation is in line with the judgment of Friedrich A. Hayek: “*Currency is the only thing that competition would not cheapen, since its attractiveness is based on preserving its «shortage».*”

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³ It is a pure expression of the **Marginal Subjective Value Theory** of Menger.

⁴ It's the natural laws of decreasing marginal utilities of wealth, and relative of exchange.

⁵ Where $v_{x(y)} = U_x / U_y$.

⁶ It is with full validity of the two natural laws of utility.