

# SSET 15 – **The ECONOMIC CALCULATION**

## **SUBJECTIVE – CURRENCY – ACCOUNTABLE**

This work is aimed at explaining *the economic calculation in currency and accounting terms*,<sup>1</sup> based on the *theory of subjective value*,<sup>2</sup> according to the [\*Subjective and Solidarity Economic Theory\*](#) (TESS).<sup>3</sup>

### **ECONOMIC CALCULATION**

The **human calculation** implies the **human need to calculate**. The logical-deductive structure, of the human mind, implies that the *action of calculating* requires four entities:

- 1) The **human being** who calculates.
- 2) The **things** to calculate.
- 3) The **dimension** that the human being chooses, to calculate the things that participate in it (distance, volume, weight, speed, temperature, etc.).
- 4) The **unit of measure** of the dimension.

Entities that we have developed extensively in the cited work,<sup>4</sup> for that reason we pass directly to the economic calculation.

In economics:

- 1) It is the **human being** who calculates.
- 2) The **thing** to calculate is the *subjective value*. **Economic science** is the **study of the value**.<sup>5</sup>
- 3) The **dimension** of subjective value is the *utility*, which is governed by the *law of decreasing marginal utility of wealth*.<sup>6</sup>

Having understood the first three entities, necessary for the economic calculation, we turn to study the fourth: **the unit of economic measure**, which has been the epicenter of the conflicts between all the currents of economic thought.

### **THE UNIT ECONOMIC OF MEASURE**

The essential characteristics of the human measure unit, of any **dimension**, are:

- **Participate in the dimension** to which it will serve as a unit of measure.<sup>7</sup>
- That it be a **present** unit of measure present (not so trivial in economics) in the act of calculating,<sup>8</sup> whose dimension was previously defined.<sup>9</sup>

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<sup>1</sup> The present work is a very important advance with respect to the one of my doctoral thesis: [\*La importancia del CÁLCULO ECONÓMICO en la Acción Humana de Mises para la teoría económica\*](#).

<sup>2</sup> **Unlike the well-know one, sustained in the theory of the objective value, where the prices arise by supply and demand, and they are considered the origin of the distribution of the wealth, instead of being a consequence of the latter.**

<sup>3</sup> Whose origin is *The "Scissor" of Menger*, presented for the first time in the aforementioned doctoral thesis.

<sup>4</sup> It is very possible that the reader does not need to resort to it to interpret the present work.

<sup>5</sup> See: [\*Definition of Economic Science\*](#).

<sup>6</sup> That includes the law of decreasing marginal utility of an economic good.

<sup>7</sup> In economics the unit of measure must be the utility, like a metro is of the distance dimension: **TRIVIALITY VERY FORGOTTEN**.

- That is **neutral** with respect to the things to be measured. That is, that can be used in any calculation that participates in it, without altering the very dimension of the thing to be measured.<sup>10</sup>

Until the emergence of the [Subjective and Solidarity Economic Theory](#) (SSET), all currents of thought studied the subject immersed in the theory of currency. Situation that made it impossible to obtain a **neutral unit of measure**, proof of this is that the discussion revolved around the *neutrality of the currency*.<sup>11</sup>

The advent of [Subjective and Solidarity Economic Theory](#) (SSET) clarified the issue in terms of these central aspects of economic calculation:

- The currency<sup>12</sup> is not a dimension of wealth, but its utility is.
- The inverse causality of the unit economic of measure.<sup>13</sup>

These two aspects allow economic theory to demarcate the theory of currency (a manifestation of wealth)<sup>14</sup> from the *theory of the economic unit of measure*.

Once the conflict over the “neutrality of the currency” has been resolved, based on the fact that the unit of measure is the relative value (relative marginal utility) of a unit of currency, we can go on to corroborate it.

## NEUTRALITY OF THE UNIT ECONOMIC OF MEASURE<sup>15</sup>

We reiterate the reasoning of the [Subjective and Solidarity Economic Theory](#) (SSET), regarding why the price<sup>16</sup> of the unit economic of measure is neutral. We start from the price of a unit of economic measure relative to each of the manifestations of wealth ( $q$ ):<sup>17</sup>

$$P_{\$(q)} = q^1_i/\$i = q^2_i/\$i = \dots = q^n_i/\$i$$

From we deduce:

$$nP_{\$(q)} = q^1_i/\$i + q^2_i/\$i + \dots + q^n_i/\$i$$

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<sup>8</sup> Which implies that it has present subjective value, otherwise it does not participate in the utility dimension. **TRIVIALITY VERY FORGOTTEN.**

<sup>9</sup> In economics this refers to defining the economic good whose relative value will be used as a unit economic of measure — hence the importance of defining the type of currency, according to our [Currency Theory](#).

<sup>10</sup> This is a very relevant aspect in economics, consequence of the inverted causality of the unit economic of measure.

<sup>11</sup> Unreasonable approach because there are no neutral economic goods, which implies conceiving that the currency may not have value, not be wealth, that is, not provide utility, or do so from non-scarcity.

<sup>12</sup> Or any entity whose utility is considered a unit economic of measure.

<sup>13</sup> It is defined in [Subjective and Solidarity Economic Theory](#) (SSET), according to which: the causality of the unit economic of measure goes from the utility of the thing to be measured, to the utility of the currency. Unlike the metro, whose dimension (one metro) remains unchanged to calculate how many times it is contained in the distance of the thing to be measured.

<sup>14</sup> As long as it participates of the utility as dimension (otherwise it is not a utility unit of measure), whatever its type: money (present value: gold, bitcoin, ...); currency-credit (present-future value, whether regular or irregular); etc.

<sup>15</sup> This presentation is more contextualized in the theory of economic calculation, than those presented in SSET 06 - [Neutrality of the Unit of Economic Measure](#) and in [Subjective and Solidarity Economic Theory](#) (SSET).

<sup>16</sup> In fact it is its **relative value**, we use the price as it is the observable entity and of use for the *daily economic calculation*, with positive correlation between both entities.

<sup>17</sup> To the extent that we use the price of the currency [ $P_{\$(q)}$ ] as a unit economic of measure, that we know by its exchanges for non-currency wealth we generally use the subscript  $i$ , **BUT here it has the broadest connotation: insofar as it refers to the measure of all wealth, not just only of exchanged. The inverted causality implies greater reliability from universe dimensioned largest (from which the dimension of the unit of mediation arises) — epicenter of a Quantitative Theory of the Unit of Economic Measure**, versus that of the currency.

$$nP_{\$(q)} = (\mathbf{1}/\$_i) * (q^1_i + q^2_i + \dots + q^n_i)$$

If we consider:

$$q_i = q^1_i + q^2_i + \dots + q^n_i$$

We deduced:

$$nP_{\$(q)} = q_i / \$_i$$

Given the

$$\$_i = \mathbf{1}$$

Result

$$q_i = nP_{\$(q)}$$

We deduce the following positive correlation in the unit economic of measure:

$$\uparrow q_i \leftrightarrow \uparrow P_{\$(q)}$$

We appreciate that the **positive cross correlation of the exchange**<sup>18</sup> is conserved in the unit economic of measure.

Adding the following correlations of the [Subjective and Solidarity Economic Theory](#) (SSET)

$$\uparrow P_{\$(q)} \leftrightarrow \uparrow v_{\$(q)}$$

$$\uparrow v_{\$(q)} \leftrightarrow \downarrow v_{q(\$)}$$

$$\uparrow P_{\$(q)} \leftrightarrow \downarrow P_{q(\$)}$$

We can broadly express the theoretical scope of the neutrality of the unit economic of measure: the **positive cross correlation of the economic calculation**:<sup>19 20</sup>

### Correlations of the economic calculation

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

Neutrality is characteristic of the unit of measure (relative value-price of the economic good that is used as a unit of measure), not of the currency. Circumstance the economic theory could not

<sup>18</sup> It is defined in [Subjective and Solidarity Economic Theory](#) (SSET): there is a positive correlation between the relative value of an economic good and the exchanged quantities of the other good to which it is relative.

<sup>19</sup> There is a **positive correlation between the relative value of the unit economic of measure and the amounts of wealth calculated with it — this is demonstrated by the fact that the economic calculation consists of a multiple:  $q * P_{\$(q)}$ .**

<sup>20</sup> Hayek: “Money is the only thing that competition will not cheapen, since its attractiveness is based on preserving its “scarcity».” Here Hayek shows, without him noticing, his dissatisfaction with monetary theory: because he knows that this reflection is in contradiction with any manifestation of wealth, which presents the challenge of improving the relative situation of scarcity. If Hayek had noticed that the theory of the economic unit of measure was independent of the theory of currency (to which he assigned the path of scarcity), I humbly estimate that Hayek would be satisfied with our proposal of economic theory. In addition, with this reflection Hayek could not have explained the decrease in the relative value of the currency that implied the technological advance of the replacement of money (gold) by the certificate of deposit (lower transfer costs, etc.).

notice while it studied the issue within the theory of the currency — entity that, in turn, was studied outside the general theory of the subjective value, as something “economically special”.<sup>21 22</sup>

Once it has been demonstrated that, the unit economic of measure —the relative value of a unit of the manifestation of wealth selected as a unit of measurement— does not alter the relative value of the wealth to be measured, we need to confirm that the subjective value is measurable, thereby we give access to economic calculation.

### Measuring the subjective value

Someone might think that:

- A table has no dimension: which implies that it cannot be measurable.
- A table has a dimension: but we do not have a unit of measurement to measure it, which is to say that the metro is not a distance.
- There is no the metro.
- There is no distance dimension.

Well, economic theory, until emerge of the [Subjective and Solidarity Economic Theory](#) (SSET), argued that:

- The subjective value (wealth) has no dimension: the subjective was not measurable.
- The subjective value (wealth) has a dimension: but we do not have a unit of measurement to measure it, which is to say that the unit economic of measure is not a dimension of utility.
- There is no subjective value of a unit of utility (it is absolute as Newton’s time).
- There is no utility dimension: the subjective value is not measurable.

Fortunately, the [Subjective and Solidarity Economic Theory](#) (SSET) has shown that **the subjective value is measurable**,<sup>23</sup> which arises from knowing that **its utility dimension has a natural law level behavior**.<sup>24 25</sup>

So let us move on to measure geometrically what we already did algebraically. For this we must have a representation of the unit economic of measure expressed in relative values, which we obtain by constructing the following graph, according to these entities:

*Decreasing marginal utility of ALL MEASURED WEALTH ( $U_q$ )*, with reading from left to right:  
 $q_{\$} = q_1 * P_{1(\$)} + q_2 * P_{2(\$)} + \dots q_n * P_{n(\$)} = \$$ .<sup>26</sup> On the graph  $q$  is equivalent to  $q_{\$}$ .<sup>27</sup>

<sup>21</sup> One of the most striking expressions referring to the “special character that is assigned to the currency” fit Murray N. Rothbard when affirming that: the most important contribution of Ludwig V. Mises, in economic theory, was to have shown that the law of decreasing marginal utility was also applicable to the currency, which implies the *possibility* that it is not present wealth (which has no value-utility) at the moment of calculation — Mises’s currency of nothingness.

<sup>22</sup> For all economic theories, currency can be wealth and not wealth at the same time.

<sup>23</sup> Then for otherwise, the accounting technique would not be the best expression-tool of economic theory, as will be demonstrate.

<sup>24</sup> It is worth clarifying that current theories measure according to prices, not relative values (because they assimilate both). BUT the use of prices to measure implies the theory of objective value. That is to say, the current theories consider that the value is measurable only within the objective value theory, since the theory of the subjective is not. By the way, the truth is that, since Jevons, it was believed that prices solve the subject of subjective value. See *Neo-Classical Jevons, chap. V, Subjective and Solidarity Economic Theory* (SSET), and [Measurable Value](#).

<sup>25</sup> The law of decreasing marginal utility of wealth (among its various manifestations) was already present in the Table of Menger —the [Subjective and Solidarity Economic Theory](#) (SSET) warned the feasibility of the calculation of subjective value.

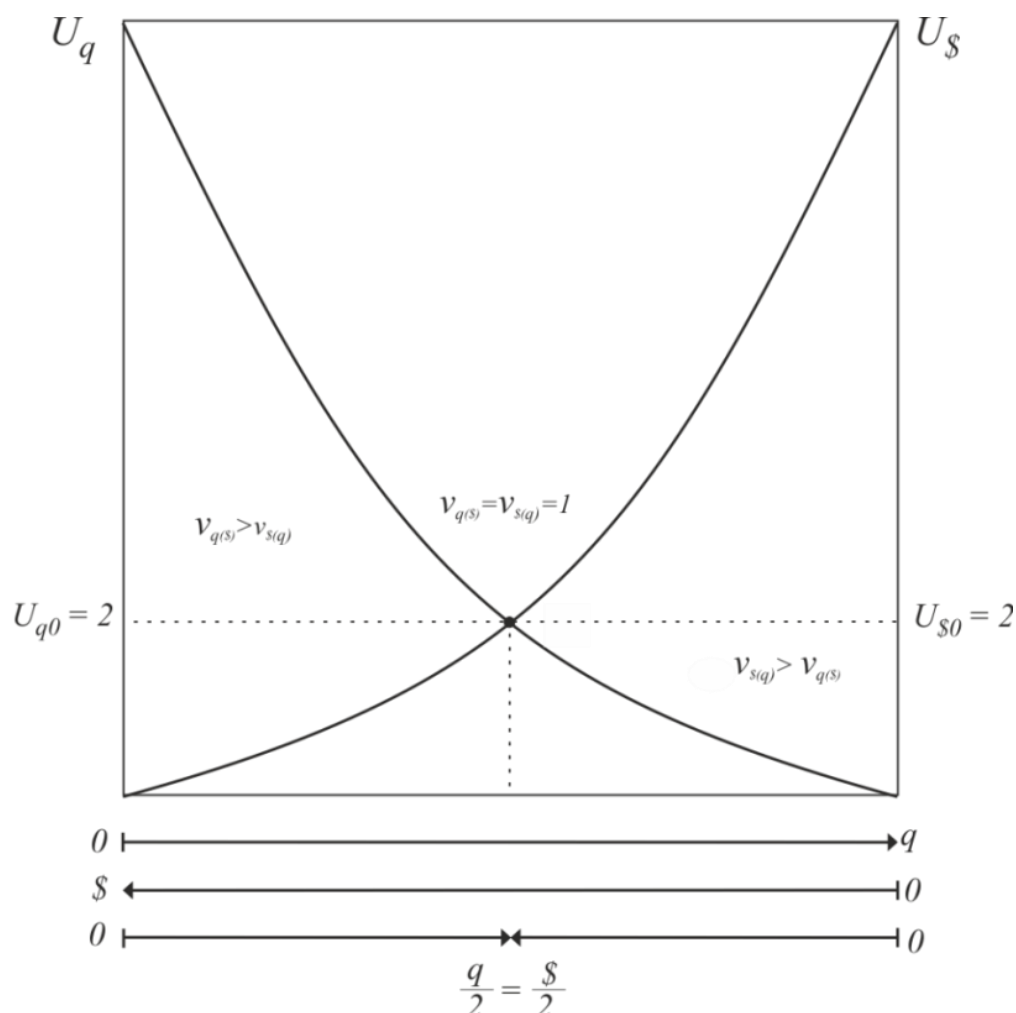
<sup>26</sup> We use  $P_{n(\$)}$  instead of  $v_{n(\$)}$ , paying attention to the fact that we have shown that the monetary calculation based on the relative values, leads to the same result as the monetary calculation made from the monetary prices.

<sup>27</sup> As always, we work with a single real and currency world, backed by the neutrality of the unit economic of measure.

Decreasing marginal utility of the economic good used as a unit economic of measure of all the measured wealth ( $U_{\$}$ ), with reading from right to left:  $\$$ . The inverse causality of the unit economic of measure <sup>28</sup> is sufficient and necessary guarantee to consider as total stock of wealth to  $\$$ , equivalent to the final sum of the *Currency Asset*.

*Symmetric closed box*: conform we work with the **utility of the total measured wealth** ( $U_q$ ) <sup>29</sup> —down reading from left to right— measured according to **the total utility of the economic good selected as unit economic of measure** ( $U_{\$}$ ) —down reading from right to left—, we are in the presence of the symmetric closed box model of the *Subjective and Solidarity Economic Theory* (SSET). <sup>30</sup> The abscissa is of the same dimensions as the two ordinates:  $\rightarrow q_t = \$_t \leftarrow$ . The tautological symmetry of the closed box model allows us to obtain an *Evolutionary Medium Point* (EMP), whose relevance in economic theory we will consider. <sup>31</sup>

### Neutrality of the Unit Economic of Measure



<sup>28</sup> The dimension of the economic unit of measure is obtained in, and for, each operation of economic calculation of wealth, it is not a predetermined fixed dimension that is calculated how many times it is contained in the thing to be dimensioned (meter, kilo, etc.).

<sup>29</sup> Remember that we have suppressed the subscript  $\$$ :  $U_q = U_{q\$}$ .

<sup>30</sup> Equivalent to the sum of the currency figures of each item of the Asset [ $\sum_1^n q_n * P_{n(\$)} = \text{Total Asset } \$$ ]. *The tautology of double accounting* is converted into a *powerful tool of economic theory: the closed box*.

<sup>31</sup> The symmetry of the closed box is equivalent to the tautological symmetry of the double accounting item.

## Evolutionary Medium Point (EMP)

We call this the point of intersection where the marginal utilities are equated:  $U_q = U_\$ = 2$ . Which occurs in the mean of the abscissas:  $q_t / 2 = \$_t / 2$ . At this point we have that: *the medium relative value of the total measured wealth with respect to the unit economic of measure [ $v_{q(\$)}$ ], is equal to the average relative value of the unit of measure with respect to the total measured wealth [ $v_{\$(q)}$ ], then:  $v_{q(\$)} = v_{\$(q)} = 1$ .*<sup>32</sup> Thus we have accurately identified the relative value of the unit economic of measure, weighted by the relative value of all the measured wealth, according to the *inverted causality of the economic calculation* - **Quantitative Theory of the Unit Economic of Measure**.

It is evident that the *Evolutionary Medium Point* represents several advances in Economic Theory:

- The EMP occurs where these situations will be simultaneously present:

$$U_q = U_\$ = 2$$

$$q_t / 2 = \$_t / 2$$

$$v_{q(\$)} = v_{\$(q)} = 1$$

$$P_{q(\$)} = P_{\$(q)} = 1$$

$$v_{q(\$)} = v_{\$(q)} = P_{q(\$)} = P_{\$(q)} = 1$$

Relevant circumstances to fully understand the **theory of subjective value**:

- The decreasing marginal utility behavior of its dimension (utility).<sup>33</sup>
- Its measurability.
- Feasible measurability based on the neutrality of its unit of measure: instead of postulating the absolute price |1| of the **currency, together with that its price was equivalent to its relative value** — this error that extended to all manifestation of wealth.
- Ratifies the neutrality of the economic unit of measure, which is only perceived by means of relative values (Menger and SSET), not by the “general price level”.
- Avoids the underlying bias in any calculation of the “general price level”, which is unavoidable in the theory of objective value,<sup>34</sup> insofar as it only refers to the exchanged wealth,<sup>35</sup> not to the total wealth.<sup>36</sup>
- It allows us to *adequately study the consequences on all wealth*, of the “currency-financial-exchange policies” *compulsively imposed on capitalism*.<sup>37</sup>

<sup>32</sup> It is important to note the consequences of relative wealth to itself (*Subjective and Solidarity Economic Theory*).

<sup>33</sup> It is corroborated by the economic-accounting tautology present in the closed-box model, faithful to the inverted logical causality of economic calculation.

<sup>34</sup> It is reported by Mises.

<sup>35</sup> Where **the relative value (relative price) of the unit economic of measure is determined only in the currency market, that implies the Quantitative theory of currency**.

<sup>36</sup> Where the relative value (relative price) of the unit economic of measure is determined by the inverse causality of the total measured wealth: **Quantitative theory of the economic calculation**.

- The relative value of the unit economic of measure, with respect to wealth, is not defined in the currency market, where it is exchanged, but in the *economic calculation market* (total wealth). This implies understanding the **influence** of the wealth that is not exchanged — it remains in stock — on the relative value of the unit economic of measure, without having to deal with it with special categories: transaction, speculation, investment, etc. <sup>38 39</sup>
- Given that the EMP arises as a consequence of considering all the wealth ( $q_t$ ), of a given temporary space moment, whose behavior is marginally decreasing, it is evident that: half of the economic goods (measured) have a relative value greater than the value relative to total wealth [ $v_{q(\$)} = U_q / U_\$ > v_{\$(q)} = U_\$ / U_q$ ], and the other half a relative lower value [ $v_{\$(q)} = U_\$ / U_q > v_{q(\$)} = U_q / U_\$$ ] —situation of human beings that obtain utility in their calculations even though they are operating below the relative value of the economic unit of measure. All of which corroborates that we are in the presence of a WEIGHTED AVERAGE OF ALL THE CALCULATIONS. <sup>40</sup>

The precedent can be seen in the graph:

- To the left of EMP we have:  $v_{q(\$)} > v_{\$(q)}$ , where  $U_q > U_\$$ .
- To the right of EMP we have:  $v_{\$(q)} > v_{q(\$)}$ , where  $U_\$ > U_q$ .

This conclusion ratifies the human condition of being different from each other, and the way in which it benefits the whole community when the two economic laws of nature fully govern.

- **Corroboration of the neutrality of the unit economic of measure:** given that **wealth  $\equiv$  value** has a decreasing marginal legal-natural behavior, which we perceive through its utility dimension, it clearly emerges that the use of a unit of measure must reflect that natural order. That is checked due to:

- It does not alter the decreasing marginal behavior of the wealth that we have calculated with the use of the unit economic of measure.
- The **EMP** occurs where:

$$v_{q(\$)} = v_{\$(q)} = P_{q(\$)} = P_{\$(q)} = 1$$

which is a necessary condition to allow the passage of the situation indicated in the previous section:

$$v_{q(\$)} > v_{\$(q)} , \text{ donde } U_q > U_\$ \longleftrightarrow v_{q(\$)} < v_{\$(q)} , \text{ donde } U_q < U_\$$$

<sup>37</sup> Understanding capitalism: economic system that governed by the natural economic laws of marginal utility; decreasing wealth and relative of exchange.

<sup>38</sup> Without forgetting their different influences as they are different manifestations of wealth.

<sup>39</sup> Consider  $q_t$  (instead of  $q_i$ ) it allows us to measure the wealth that is obtained without exchanging (variation of its value).

<sup>40</sup> This confirms that: the economy deals with subjective values, which encompass all wealth, not just the exchange in the currency market, which implies considering the “*Quantitative Theory of the Economic Calculation*”. The *Theory of the Currency of the Subjective and Solidarity Economic Theory* (SSET) is ratified: *the function of the currency as a unit of economic measure (of all wealth) is more important than as a medium of exchange (currency market)*.



Having demonstrated the neutrality of the unit economic of measure — revealed by the price (originated by its relative value) of the economic good that is used as a unit of measure (currency) — we are able to approach the *subjective-currency-accountable economic calculation*.

## **THE SUBJECTIVE-CURRENCY-ACCOUNTABLE ECONOMIC CALCULATION**

The popular saying has established that:

- There is no better practice than that supported by a good theory.
- Theories should be used to deal with daily practices.

Two conclusions that science has been commissioned to corroborate. Due to this, it is necessary to lower the *Subjective and Solidarity Economic Theory* (SSET) —and its predecessors: *Theory of Economic Relativity* (TER), *Theory of Economic Time* (TET), *Theory of currency*, etc. ... — to the field of calculation currency.<sup>41</sup> That is, we will show that **the abstract theory of subjective value is the one that gives origin and sustenance to the currency calculations of everyday life and to the double accounting** — the most difficult task of science, Einstein would say: *to appreciate what the senses do not they warn*.

The *Subjective and Solidarity Economic Theory* (SSET) has shown us that **the currency wealth is equivalent to wealth calculated in terms of relative values**.<sup>42</sup> We then **calculate the net currency wealth generated, EXCLUSIVELY IN FUNCTION OF UTILITY**, with decreasing marginal behavior (Menger), not prices or costs.

*Subjective and Solidarity Economic Theory* (SSET) tells us that the variation of wealth-value, saving (*a*), is a consequence of the differential between human actions of generating it (*g*) and destroying it (*d*).<sup>43 44 45</sup> Differential than in terms of behavior *marginal (flow U)* and *accumulated (stock  $\alpha$ )*, we express like this:

$$U_a = U_g - U_d$$

$$\alpha_a = \alpha_g - \alpha_d$$

Then,  $\alpha_a$  will be added to  $\alpha_0$  of the initial patrimony (if  $\alpha_g > \alpha_d \rightarrow + \alpha_a$ ), or will detract (if  $\alpha_d > \alpha_g \rightarrow - \alpha_a$ ).

Let us see the graphic of the generated net wealth (savings), which we build according to the premises of the *Subjective and Solidarity Economic Theory* (SSET):

*Ordered*: represent marginal utility of wealth *q* to neutral currency values.

<sup>41</sup> Although we have already done so in *Subjective and Solidarity Economic Theory* (TESS), when carrying out the currency calculation based on relative values, without knowledge of prices.

<sup>42</sup> A convincing demonstration has been the **currency calculation of wealth based on relative values, without knowing the currency prices** (Chapter VI of *Subjective and Solidarity Economic Theory*) — to reiterate it, given its theoretical significance.

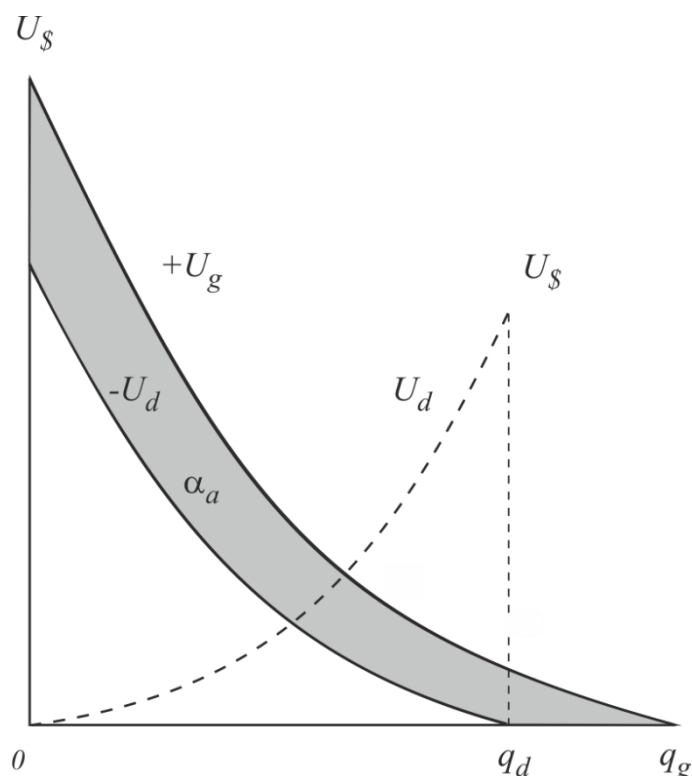
<sup>43</sup> Subtract  $-U_d$ , from the order of  $+U_g$  downwards, is equivalent to the position of  $U_d$  when place it in ascending position on the ordinate of the right, with reading from right to left, to reflect the order of ascending marginal utility with which it guides the human action of destroy wealth.

<sup>44</sup> **Explaining the destruction of wealth ONLY in terms of utility implies a turning point in economic theory: it corroborates the theory of subjective value (utility), while banishing the theory of objective value (prices)**. This is the essence of the difference between Menger's marginalism with that of Jevons and Walras, well captured by Schumpeter — reason for which he spoke of the creative destruction that the Subjective and Solidarity Economic Theory (TESS) corroborates.

<sup>45</sup> Without forgetting the incidence of the human action of **exchange**, which is present in the two actions considered here (*g* and *d*).



## Net generation of wealth - saving <sup>46</sup>



*Abscissa:* represent the stock of wealth ( $q$ ).

*Marginal generation of wealth ( $U_g$ ):* <sup>47</sup> the human action of generating wealth is guided by a decreasing marginal order ( $U_g$ ) — reading from left to right.

*Marginal destroying of wealth:* <sup>48</sup> the human action of destroying wealth is guided by creasing marginal order ( $U_d$ ) —reading from right to left (dotted lines), which is equivalent to locating it by subtracting from the decreasing orientation from left to right ( $-U_d$ ), which we will use for purposes explanatory. <sup>49</sup>

*Net generation of wealth or saving of wealth ( $\alpha_a$ ):* is the differential between the generated and destroyed wealth:  $U_a = U_g - U_d$ , represented by the shaded area ( $\alpha_a$ ).

Next we express the same **net wealth generated (saved)**, but expressed in terms of total marginal variations of the wealth generated, destroyed and saved. That is, we consider the **marginal curves increasing in a decreasing direction**: the cumulative of the decreasing marginal curves when incorporating each unit of wealth (it would be the equivalent to  $\alpha$  areas of the preceding graph). Net wealth generated in the period that we will add to the initial wealth ( $W_{t0}$ ), to obtain the final wealth

<sup>46</sup> That we can present  $U_d$  higher than  $U_g$ , with which  $-\alpha$  will be above  $U_g$ .

<sup>47</sup> Cap. VII of [Teoría Económica Subjetiva Solidaria](#) (SSET).

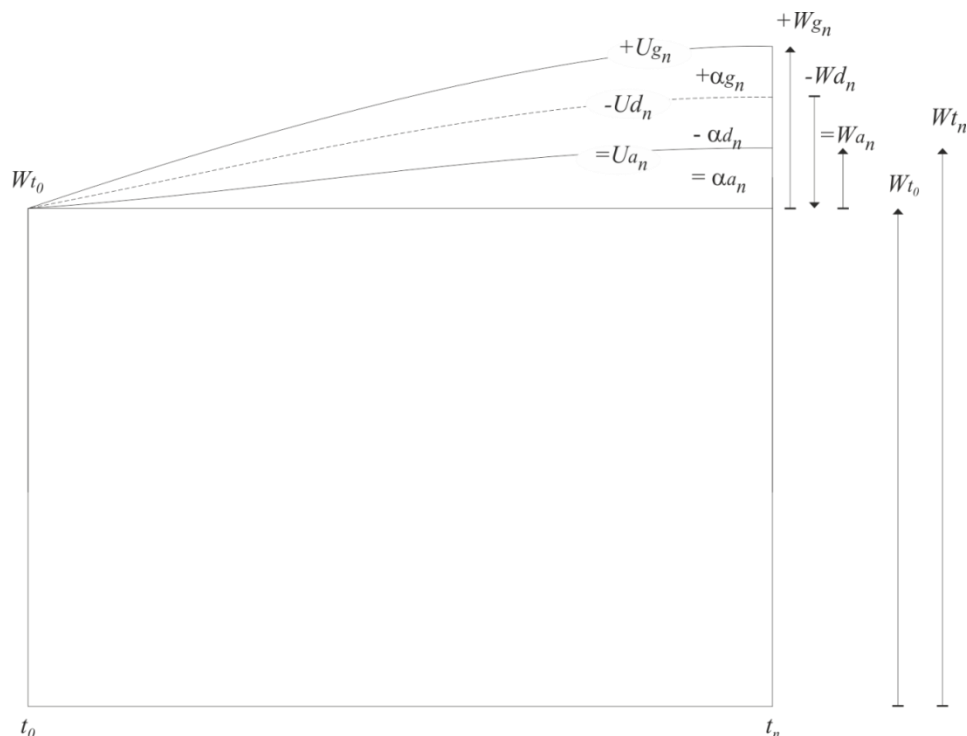
<sup>48</sup> Ídem.

<sup>49</sup> The essential thing is to notice that the **destroying of wealth is explained in terms of the utility that it give: IT IS NOT A COST — the creative destruction of Schumpeter, here validated with scientific rigor.**

( $W_m$ ), task that will deposit us finally in the *subjective-currency-accountable economic calculation*.

With this procedure we convert the explanation of the evolution in the time of the currency wealth, in variations of the stock of currency wealth, without theory of the prices, neither theory of the currency nor of the interest. Thus, we will be doing geometric accounting or **accounting geometry**, which will have the peculiarity of showing that: economic theory is the basis of the double accounting entry.<sup>50</sup>

### The Subjective-currency-accountable economic calculation



Let us verify that in the graph we have represented all the variables, for the *subjective-currency-accountable economic calculation*:

- **Time**, represented on the abscissa ( $t_0 \rightarrow t_n$ ).
- Marginal value-wealth behavior of the value-wealth, according to its *utility dimension* ( $U$ ).<sup>51</sup>
- The **human actions** of **generating** (+ $g$ ) and **destroying** (- $d$ ) *value-wealth*, whose marginal behaviors determine the variations of the value-wealth in time ( $t_n$ ).<sup>52</sup>
- Value-wealth accumulated in the period considered:  $W_{an} = W_{gn} - W_{dn}$ .
- Total accumulated value-wealth at the end of the period considered:  $W_{tn} = W_{t0} + W_{an}$ .<sup>53</sup>

<sup>50</sup> Although Luca Pacioli could not have imagined it, but sure was in Mises' mind.

<sup>51</sup> The marginal curves with concave, reflect the decreasing marginal behavior: they grow in a decreasing direction.

<sup>52</sup> The fourth human action exchange (whose participation allows the presence of the *law of relative marginal utility of exchange*), we consider it a participant of  $g$  and  $d$ . Thus, the currency is a technological advance (see next note), without forgetting the consequences of state interventionism, which we will address in: *Capitalism monetarily affected*.

<sup>53</sup> It is represented in arrows to the right of the final ordinate.

- We consider included (in  $+U_{gn}$  and  $+W_{gn}$ ) the share of capital ( $k$ )<sup>54</sup> as an expansive factor of value-wealth.
- We consider included (in  $+U_{gn}$  y  $+W_{gn}$ ) the variation of value-wealth by the only act of valuing “the same physical wealth” differently.<sup>55</sup>
- Given the neutrality of the unit economic of measure, everything is expressed in *relative currency values*, in tune with the marginal utilities of the preceding graph ( $+U_g$ ,  $-U_d$  and  $\alpha$ ). That is, we are in the presence of a currency and real world at the same time, giving validity to the information that arises from the double accounting entry.

We can notice that  $+W_g$  and  $-W_d$  are the equivalent to the **profit** (+) and **losses** (-) of the result table of the double accounting entry. Result (=  $W_a$ ) that always coincides with the variation of wealth between the beginning and end of the period to which the result table refers:<sup>56</sup>

$$\text{Result } (\alpha_t = W_n) = \text{Final patrimony } (W_m) - \text{Initial Patrimony } (W_0)$$

$$\text{Result } (\alpha_t) = + \text{Profit } (+\alpha_g) - \text{Loss } (-\alpha_d)$$

That is, the profits (+) and accounting loses (-) explain the variation of wealth, which in economy is explained by the human actions of generating and destroying value (wealth):

- **The double accounting entry** is based on the theory of subjective value, not on prices or costs.
- **The theory of subjective value** has an essential tool of economic: calculation the double accounting entry, together with financial mathematics.

This simple graphical structure allows unravel the economic life in function of the patrimonial, financial and economic analyzes of the patrimonial states,<sup>57</sup> what will allow: **to the accountants to understand economy**, and **to the economists to understand accounting**.

In order to culminate it is necessary to emphasize that the **subjective-currency-accountable economic calculation** that we exposed, is applicable to the levels of micro and macroeconomics analyzes.<sup>58</sup>

#### **NOTE: the SSET in the Austrian School**

Given the theoretical significance of the economic calculation in [Subjective and Solidarity Economic Theory](#) (SSET) and its predecessors,<sup>59</sup> in line with the **Austrian School of Economics**, I consider my membership in that School undoubted,<sup>60</sup> which is a very honor to me.

Let us see the central elements of the *Subjective and Solidarity Economic Theory* (SSET), which corroborate it:

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<sup>54</sup> In which we include theory, knowledge, technology, innovation, etc. It is classification that we consider in the theory of economic development.

<sup>55</sup> That we know as the result of holding assets, which confirms that the economy refers to subjective values, not to objects.

<sup>56</sup> It is the essence of the double accounting game, which Mises so revered, and here we have done honor.

<sup>57</sup> It is very easy to understand the macroeconomic crises based on these analyzes.

<sup>58</sup> I have proven this in my profession as an accounting-economic-financial advisor, by relating the patrimonial-financial-economic status of the “Argentine company”, linked to that of each advised company.

<sup>59</sup> Without an adequate theory of calculation, good calculation practice is impossible.

<sup>60</sup> And its predecessors, like the School of Salamanca, which were based on the theory of subjective value.

- **Theory of subjective value** (Menger). The economy must be explained exclusively according to the subjective value.
- The **dimension** of value is the **utility**, not the prices (Menger).
- Natural-legal behavior of utility: **decreasing marginal** (Menger), ordinal law that guides **Human Action** (Mises): <sup>61 62</sup>

*Decreasing Marginal to generate and save.  
Increasing Marginal to exchange <sup>63</sup> and destroy. <sup>64</sup>*

- The **subjective-currency-accountable economic calculation** to deal with **scattered economic knowledge** (Hayek). <sup>65 66 67</sup>
- The *theory of the distribution of the wealth* of the SSET <sup>68</sup> would be the development of the **theory of Austrian imputation**, which is equivalent to expressing it in more precise terms such as: **theory of the imputation of utilities** <sup>69</sup> — while the *theory of the objective value* necessarily falls in the error of explaining economy in terms of “impute” *costs* ↔ *prices*. <sup>70</sup>

SYNTHESIS SSET ↔ EA: all of the above can be summarized in these judgments of the [Subjective and Solidarity Economic Theory](#) (SSET), in line with the Austrian School, as they are direct consequences of the *Theory of Subjective Value*, with its *utility dimension*:

**The UTILITY explains human actions <sup>71</sup>**

Then:

<sup>61</sup> See *Efficient and Equitable Economic Evolution (E<sup>4</sup>): Chapters VII and VIII of [Subjective and Solidarity Economic Theory](#)* (SSET), where precision is given to the Human Action of Mises.

<sup>62</sup> The ordinal character, invoked here, does not block the cardinal calculation. On the contrary, the SSET has shown that the cardinal-currency calculation arises from the ordinal behavior of the subjective values (utilities), due to the natural-logical causality: the values determine the prices [ $v_{x(y)} \rightarrow P_{x(y)}$ ].

<sup>63</sup> It ratifies the law of relative marginal utility of exchange.

<sup>64</sup> It **explains the destruction of wealth in terms of the utility** that it reports (subjective value theory that imputes profits), not because it is considered a cost (objective value theory that imputes costs — **which is worth reiterating because of its theoretical transcendence**).

<sup>65</sup> Here the SSET comes to corroborate Hayek's concern regarding the “constancy of the price of the currency”, which underlies the important function of the currency as an instrument for economic calculation.

<sup>66</sup> In line with Menger: “... *The valuation of the goods ... is the one that best responds to the practical and usual objectives of valuation, but it is also, with respect to its practical realization, the most natural, the most obvious, the simplest ...*” *Quote from section 3 Money as «measure of the prices» ... from Chap. VIII Theory of prices, from his book Principles of Political Economy.* The disquisitions of the referred section have been resolved and clarified by the SSET; solution that was underlying into his theory of decreasing marginal utility of wealth, extension of the law of decreasing marginal utility of a single manifestation of wealth.

<sup>67</sup> It is an opportunity to reiterate my gratitude to a dear friend, and tutor of doctoral thesis, Dr. Gabriel Zanotti, who would suggested me this title: [La importancia del Cálculo Económico en la Acción Humana de Mises para la Teoría Económica.](#)

<sup>68</sup> See *Cap. VII Efficient distribution of wealth in [Subjective and Solidarity Economic Theory](#)* (SSET).

<sup>69</sup> That we have demonstrated in [Theory of Economic Relativity](#) (TER), and expanded in [Subjective and Solidarity Economic Theory](#) (SSET), *Generate wealth* section of *chap. VII, Efficient distribution of wealth*.

<sup>70</sup> This is vicious circle of the theory of objective value, and theoretical origin of state interference in interfering with prices.

<sup>71</sup> We include the actions that are intended to be explained through: philanthropy, ethics, morals, religion, politics, etc. To prima facie we could say that utility could be the scientific path of philosophical happiness, which would indicate us that the concept of utility **implies humanism and happiness**. If so, it would seem that happiness has much to do with the primacy of reason (utility) over the senses (heart). **If utility is perceived in a context of scarcity, we are in the field of economics.**

**The UTILITY is the center of economic calculation.**

Carlos A. Bondone