

Diagnosis of an economy

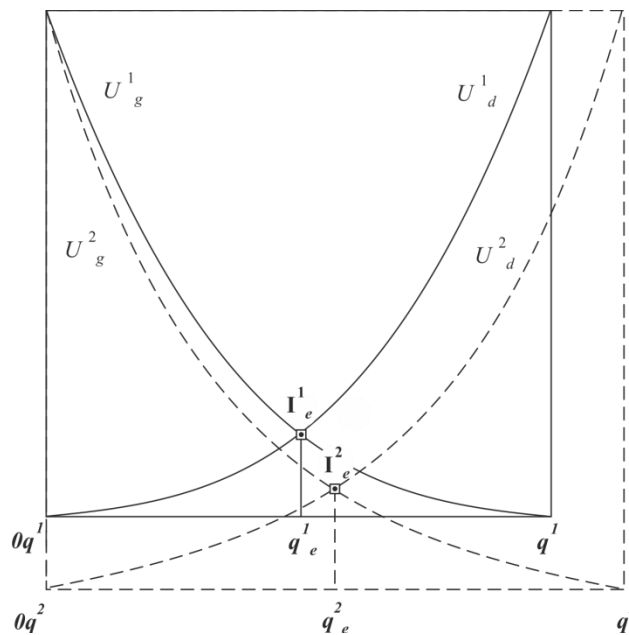
This work is a continuation of the SSET 27. We are going to compare four stages of economic evolution: one with more ($q_2 > q_1$) or less ($q_2 < q_1$) quantity of economic goods than another ($q_2 > q_1$), with different valuations for both cases ($I_e^2 < I_e^1$ and $I_e^2 > I_e^1$), which we analyze through the [Evolutionary Medium Point](#) (EMP).

CASE 1-a: $q_e^2 > q_e^1$ and $I_e^2 < I_e^1$

We represent this case in graph 1-a. With U^1 we see a “witness” economy that will be compared with another U^2 , according to the “closed-box” of the relative wealth to itself.¹

Graph 1-a

Greater quantity of economic goods at lower value



We appreciate greater quantity of economic goods generated at the end of stage 2 than from 1: $q^2 > q^1$, **BUT** at a lower marginal utility level $I_e^2 < I_e^1$.

Since we are comparing [Evolutionary Medium Point](#) (I_e) of different levels, it is essential to calculate their relative values, which we can call *evolutionary relative values* [$v_{e(2/1)}$] between I_e^2 and I_e^1 . To obtain them we must consider again the framework of the [economic dilemma](#) posed by the [Subjective and Solidarity Economic Theory](#) (SSET), *equalize the different*, and we have:

¹ Graphic model presented in [Subjective and Solidarity Economic Theory](#) (SSET), Chapter V.

\mathbf{I}_e		\mathbf{v}_e	
$\mathbf{I}_e^1 = \mathbf{v}_{e(1/2)} * \mathbf{I}_e^2$	$\mathbf{I}_e^2 = \mathbf{v}_{e(2/1)} * \mathbf{I}_e^1$	$\mathbf{v}_{e(1/2)} = \mathbf{I}_e^1 / \mathbf{I}_e^2$	$\mathbf{v}_{e(2/1)} = \mathbf{I}_e^2 / \mathbf{I}_e^1$

Knowing that $\mathbf{I}_e^2 < \mathbf{I}_e^1$, and considering the axiom of the one of the relative ones: $\mathbf{v}_{e(1/2)} * \mathbf{v}_{e(2/1)} = \mathbf{1}$, in this case we deduce that:

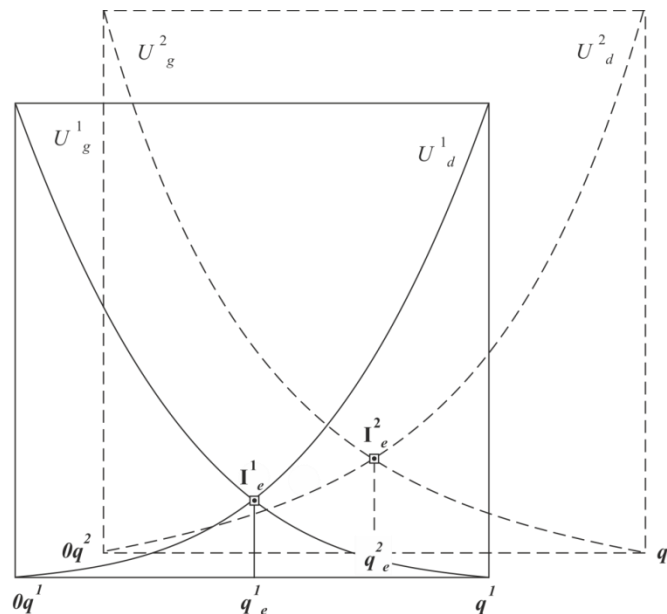
$$\mathbf{v}_{e(2/1)} < \mathbf{v}_{e(1/2)}$$

Here the economy 2 was dedicated to producing more economic goods of lower value.

CASE 1-b: $q_e^2 > q_e^1$ and $\mathbf{I}_e^2 > \mathbf{I}_e^1$

Graph 1-b

Greater quantities of economic goods at a higher value



Case shown in figure 1-b, where there is a greater quantity of economic goods generated at the end of stage 2 than from 1: $q^2 > q^1$, **BUT** at a higher marginal utility level, which can be seen through the Evolutionary Medium Point (EMP): $\mathbf{I}_e^2 > \mathbf{I}_e^1$. For this reason we deduce:

$$\mathbf{v}_{e(2/1)} > \mathbf{v}_{e(1/2)}$$

Here we appreciate that the economy 2 was dedicated to produce more quantity of economic goods of greater value. It is clear that $\alpha_2 > \alpha_1$, given that it occurs simultaneously: $\mathbf{I}_e^2 > \mathbf{I}_e^1$ and $q^2 > q^1$.

CASE 2-a: $q^2_e < q^1_e$ and $I^2_e < I^1_e$

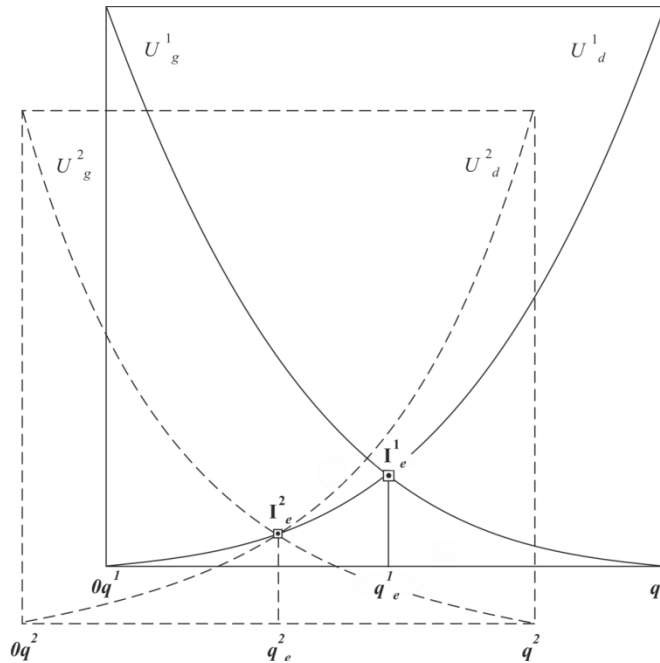
Case represented in figure 2-a, where there is less quantities of economic goods generated at the end of stage 2 than from: $q^2 < q^1$, at a lower marginal utility level, which is seen through the Evolutionary Medium Point (EMP): $I^2_e < I^1_e$. For this reason we deduce:

$$v_{e(2/1)} < v_{e(1/2)}$$

Here we appreciate that economy 2 was dedicated to produce less quantity of economic goods of lower value. It is clear that $\alpha_2 < \alpha_1$, given that it occurs simultaneously: $I^2_e < I^1_e$ y $q^2 < q^1$.

Graph 2-a

Less quantity of economic goods at lower value



CASE 2-b: $q^2_e < q^1_e$ and $I^2_e > I^1_e$

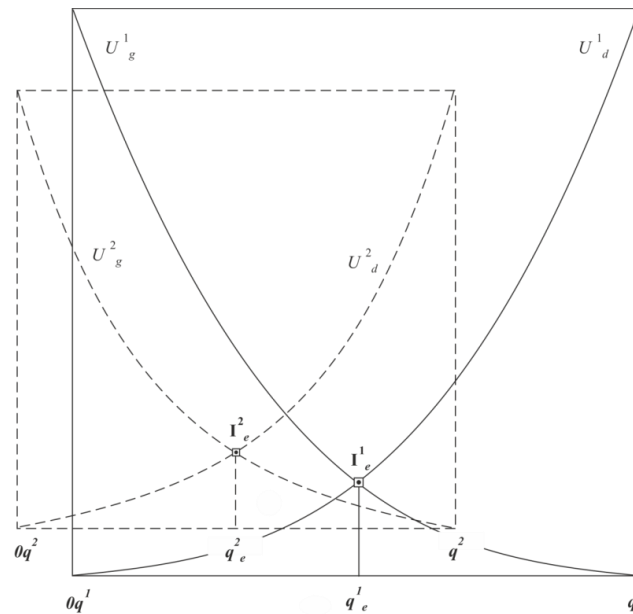
Case represented in figure 2-b, where there is less quantity of economic goods generated in stage 2 than in 1: $q^2 < q^1$, at a higher marginal utility level, which can be seen through the Evolutionary Medium Point (EMP): $I^2_e > I^1_e$. For this reason we deduce:

$$v_{e(2/1)} > v_{e(1/2)}$$

Here we appreciate that economy 2 was dedicated to producing less quantity of economic goods of greater value. With appropriate parameters it will be possible to determine if the accumulated value of the wealth is higher, equal or lower for economy 2 or 1: $\alpha_2 \leq \alpha_1$, given that $I^2_e > I^1_e$ BUT $q^2 < q^1$.

Graph 2-b

Less quantity of economic goods at higher value



SYNTHESIS:

This theory of economic evolution has allowed us to corroborate the following essential aspects of the *Subjective and Solidarity Economic Theory (SSET)*:

- **The essential failure of economic theory has been saved:**
 - . *The economic is about values, not prices.*²
 - . The values originate to the prices.
 - . The dimension of value is utility.
 - . Utility has decreasing marginal legal behavior.
 - . Then, the value, through its utility dimension, is measurable.
 - . Prices are simple coefficient between quantities, an entity that constitutes the essence of the theory of objective value,³ not noticing the causal precedence of value (utility).
- The consistency of the *Theory of Efficient and Equitable Economic Evolution (E⁴)*, is appreciated, according to which the human actions of generating and saving wealth are guided by a decreasing order of their marginal value, and those of destroying and exchange do so in function of its increasing order.

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² As J.S. Mill say, without an adequate theory of value, cannot build a consistent economic theory. His mistake was to believe that the theory of objective value was the adequate, which gave rise to the detour in economic theory for more than 130 years.

³ *Subjective and Solidarity Economic Theory (SSET)*, through its logical causality ($v \rightarrow P$) and its factual causality ($P \rightarrow v$) between values and prices, reveals the inconsistency of “the revealed truth” according to which supply and demand curves explain the origin and determination of prices.