A Critique of the Subjective Theory of Value - Postliterate - Medium

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(I apologize in advance for the inconvenient nature of the footnotes, such are the restrictions of the Medium format.)

1 — Introduction

Thesis & Explanation

My use of the term “Subjective Theory of Value” (shortened “STV” hereafter) in this essay is not in the common sense, i.e. as referring to the theory of value adopted by the Austrian School of Economics specifically. Rather, I use the term in the broadest sense to refer to the fundamental proposition that in capitalist exchange, utility is the valid expression of value. **[1]**

The goal of my critique is to fundamentally invalidate this proposition posited by the STV. The proposition, since the “Marginalist Revolution” at the end of the 19th century, has had mainstream economics in a stranglehold. Marginalism itself, among other applications of the STV, have become dominant ways of understanding the economy and society at large. For this reason, the implications of my critique involve the invalidation of much of contemporary mainstream economics in general. **[2]**

The thesis of this essay is that the proposition posited by the STV (namely, that in capitalist exchange, utility is the valid expression of value) cannot logically be true. It does not stand on firm ground, containing within it a major pitfall in thinking which makes it invalid as a theory. The reason for this can be fundamentally reduced to the fact that exchange relations — particularly in their necessary form as relations of money — must necessarily depersonalize individual subjectivity in order to express general, social relations that are homogenized and equalized. Individual desire and needs can exist outside of exchange, but it is exchange specifically which constructs relations that are necessarily beyond such desires. Relations of exchange always express something just beyond individual subjectivity, i.e. they always express something socially homogenized in the exchange process. From this fact, it becomes naïve to describe exchange relations as relations of individual utility which simply have to account for each other, or similarly as relations of individual needs which are coordinated through exchange. This essay makes clear that exchange relations are necessarily relations which exist just beyond any direct consideration of individual utilities.

Issues in Marxist Theory & The Mode of Analysis

Those who may be already familiar with attempts to do such a critique, particularly by Marxists, will be assured that my critique was initiated on the basis of a perceived lack of quality in most of these past attempts. **[3]** The issues with much of the literature on critiquing the STV from a Marxian perspective can generally be categorized two ways. Either the literature: (1) “jumps the gun,” so to speak, and swiftly attempts to decry the STV as “bourgeois” or “fetishistic” before any substantive critique has been made (or possibly even in spite of one), **[4]** or (2) attempts to critique the STV on a level other than the theoretical, e.g. it attempts to bring in historical or empirical critiques of the STV and not directly theoretical ones. **[5]**

The problem particularly with the second issue is that it implicitly cedes ground to the STV by leaving its own terrain of theoretical propositions and attempting to critique the STV from a different perspective than one it itself adopts. An immanent critique of the STV — in other words, a critique *on its own terms* — would be the most effective way of invalidating it; unfortunately the literature does not always do this.

This essay, due to length constraint, can only be an attempt to lay the groundwork for a radical critique of the STV and mainstream economics in general. The critique, importantly, will operate on the STV's own terms and at its own level of scientific analysis. It will attempt to invalidate the STV using its own internal logic and presuppositions, and not any from the outside. **[6]**

Finally, for the purpose of focus, this essay will not provide an alternative theory of value to the one being critiqued. It will provide the foundational "why" question for alternative theories of value, but it will not answer any other questions. In subsequent series of essays will proper alternative theories be discussed.

Two Preliminary Remarks

There are two preliminary remarks which are necessary to disclose before the critique can commence.

The first remark is about the economy as a concept. Economists sometimes say that the capitalist economy is driven by human needs and desires: the capitalist produces to satisfy needs, the consumer purchases based on her needs, etc. What does not occur to these sophists is that the satisfaction of needs is simply the business of any society, not merely capitalism. When analyzing capitalism as a specific form of "the economy" as a concept, we are analyzing *how* capitalism goes about attempting to achieve the goal of satisfying needs, i.e. *how* it coordinates production and distribution for human needs. It is this "how" question for the economy that makes it unique from other economies, not the fact that needs have to be satisfied at all. Moreover, it is this "how" question that is the subject of this critique.

The second remark is about value. When speaking about value in capitalism, it is not necessary to go out and attempt to "find" it. Capitalism is actually unique for having constructed an incredibly robust and standardized system of value which is immediately obvious to us because it appears in the form of prices (Chambers 68). What capitalism values and what it doesn't is not hidden from us, but directly told to us in the form of higher and lower prices. The focus here is thus not about finding value, but explaining it.

2 — The Basic Critique

According to the adherents of the STV, value in capitalism is nothing more than social utility. Producers may charge a certain price for their products because of their desire to turn a profit, but this price will not yield any results if consumers are not willing to pay for the given price. Consumers decide if they are willing to pay for the given price based upon their own perceived utility of the product: if they believe the product is very useful to them, or will likewise satisfy them immensely, they will be willing to pay for a higher price; if they do not see much utility in the product, they certainly will not be willing to pay for a higher price. Thus, the perceived utility of the product by society is the ultimate determination for the price of the product.

From this perspective, it appears that aggregated social utility is the driver of the market. Each individual performs their own value judgements about products and their respective prices, and as an aggregate, these individuals together determine the direction of the production of these products. Inversely, it could be said that social utility is expressed through the *form* of prices, and price correspond to given quantities of money; it thus could also be said that money is the general *medium* through which general or social utility is expressed.

However, money cannot really logically be understood this way because *utility cannot be general*, i.e. utility cannot be expressed in the abstract or general sense. This is because society does not acquire different degrees of utility from different products if the products correspond to different needs altogether. A loaf of bread and a glass of water may provide a given individual the same utility in different circumstances, *but these utilities are not interchangeable*. If an individual is thirsty, eating bread will satisfy no utility whatsoever; likewise, if she is hungry, drinking water will provide no utility either. The utility of bread or water can thus be realized if and only if their consumption corresponds to their respective needs (in this case, hunger or thirst). For this reason, the utility of these products are *qualitatively different* and therefore not at all commensurate. The products each provide an individual with utility only because the individual has a specific need which that product can fulfill (e.g. bread for hunger or water for thirst). The products do not provide an individual with a certain amount of "general utility," or utility in the abstract, because no such thing exists.

If, for example, the given quantity of bread and water the individual has each cost $5, these five dollars cannot be said to directly represent the products' respective utility. This is because the $5 are commensurate with any other $5, but bread and water as articles of utility are not. Money measures purely quantitative difference, but needs and desires possess *qualitative difference.* (There does exist a quantitative dimension to desires, but only within a given need, e.g. certain foods may bring more utility than others.) Between different needs are unbridgeable gulfs of qualitative difference that must be entirely painted over if money is to be considered the medium expression of utility in capitalism.

It can be difficult to see how this is true when we consider an actor in the capitalist system as only a consumer or a producer. In reality, she must always be both: she is always simultaneously earning money and spending it. This should be obvious, but it can be easy to forget when we consider only one side of the process at a time.

Because an actor in capitalism is always both receiving and spending money — assuming everyone in capitalism is a “producer” with stakes in their company — the utility of the products the actor produces and the utility of the products she buys are together expressed as qualitatively identical in the form of money. Society finds a certain utility in her products, and gives her a quantity of money for it; she then uses this same money to express the personal utility of products she wishes to buy for herself.

In an actors’ hands, money expresses the array of potentially useful products an individual may wish to purchase — this the *latent state* of money. When this money changes hands at the point of purchase, all of these potentials coalesce into one realization, which is the utility of the single product the individual is purchasing — this is the *active state* of money. In the framework of the STV, money in its latent state expresses *general utility* (or utility in the abstract) as a potential, and in its active state expresses the realized *specific utility* of the product being purchased.

In the case of a given individual in a market economy, the money she receives for selling her products, in its active state, expressed the specific utility of her product to the individuals who purchased it. Once she has this money, however, it turns into its latent state, transforming into a representative of all the possible utilities she can express through purchases of her own — in other words, general or abstract utility.

This fact makes it clear that money is not simply an expression of a specific utility, but is in circulation always equating this utility to all other possible utilities. When the actor in capitalism uses her earned money to purchase other products which correspond to the different needs she has, the quantitative expression of these needs through money is equalized with the quantitative expression of the utility of her own specific products to her buyers. In other words, the utility which her products provided for others are equated to the utility she may now realize in products she herself wants to buy with this money. The qualitatively different needs which are realized on the market are thus equated to one another in order to be expressed through the general and purely quantitative dimension of money.

Another way of saying this is that money, as it changes hands, is always transforming from its latent to its active state, and vice versa. It is a transformation from specific utility (which is the only valid form of utility) in its active state, into "general utility" as a potential its latent state, and back again. The inherently problematic nature of this transformation is the central to this critique; it is the impossibility of transferring expressions of qualitatively different needs through an expression of "general utility" between them, that makes utility necessarily *not* the substance of exchange.

It is through this transformation that $5 can express the utility of different given set of needs as one and the same, *as if they could be made equivalent.* But we know that different needs and desires correspond to different respective utilities which are completely incommensurate with one another. It therefore *cannot* be the case that money directly expresses utility at all. Every time it expresses "general or abstract utility," it is in fact expressing nothing at all, because, as we have shown, such a thing does not exist.

We know that each exchange presupposes that the actors involved agree on the price at the same time that each exchange presupposes that the actors involved find potential utility in each other's possessions; but what money *actually represents*, beneath the subjective exchange which utilize it, must be something other than direct utility. It is not a question of whether or not utility is an integral aspect of exchange in capitalism — this is already quite obvious. It is, however, a question of *how this utility expresses itself.* In the case of capitalism, this expression is through money, through which this utility is actually *negated*, thus making exchange an *invalid expression of utility*.

It is for this reason that utility and value must be bifurcated, and correspondingly, the *subjective* and *objective* dimensions to capitalism must be also. The economists have studied well how people behave with money and how they attempt to express their personal valuations of products through it. But we have shown that this cannot be all there is to money and its circulation; the actual substance of money, i.e., what it is truly expressing socially, is something left untouched by the economists.

It would correct to say that in capitalism utility is expressed through money, but it would be incorrect to say inversely that money expresses utility. In the former claim, money is a medium of its own — with its own independent intrinsic qualities — through which utility is expressed; in the latter claim, utility is the intrinsic quality of money, and the substance which money is expressing. Since money in its circulation is unable to directly express utility, we know that the latter claim is untrue, regardless of the obvious truth contained in the former claim.

3 — Reapplying the Basic Critique without Money

My basic critique relies a lot on money, and this may lead some readers down the wrong tracks. The issue in my critique really is not with money as such, but with exchange. We can use a hypothetical barter economy with no currency to show how the same mechanisms the basic critique elucidated upon reveal themselves here as well.

If we imagine a set of producers who each wish to exchange their products and have no currency between them, each exchange they initiate must be able to directly satisfy the needs of both involved in order to complete. This is of course extremely difficult, as it involves a given buyer having on hand a wide array of products available to exchange so that she can ensure a successful transaction. If a buyer wants a coat, for example, she will need many different products available to exchange for that coat, because the coat seller must herself also find something of use in the buyers own possessions. The individual buyer cannot be sure what the coat seller is willing exchange for the coat, and so she must possess a wide array of qualitatively different products which may or may not be a product the coat seller is willing to exchange for.

This array of products which the buyer herself does not want, but needs as a means for exchange, is essentially quasi-money already. These products are on their own of no use to the buyer who has them, but are instead a means of getting other products which are of use to her. Money fulfills much of the same purpose: it is not in and of itself anything valuable or useful, but is a means to acquire products which are useful.

To break this down even further, let us imagine three producers. One sells meat, the other corn, and the last cloth. The corn seller wants cloth, but the cloth seller does not want corn. If the corn seller finds out that the cloth seller wants meat, the corn seller can exchange her corn for meat with the meat seller (assuming the meat seller wants corn), and then exchange this meat for cloth with the cloth seller. In this example, from the perspective of the corn seller, the meat behaves identically to money. The utility of corn for the meat seller is realized as a quantity of meat, and the utility of this meat for the cloth seller is then realized as a quantity of cloth. Meat represents here simultaneously the utility of corn for the meat seller and its own utility for the cloth seller.

The difference between meat and money here is that meat eventually realizes its own utility (in this case, as utility for the cloth seller) — whereby its function as a means-to-an-end terminates. Money, however, is never realized as such, and circulates forever without direct utility of its own. It is in this way that money can capture the utility of all products at once, and reduce them to a homogeneous and purely quantitative dimension. Meat in our example could only do this with corn before its role as quasi-money terminated in the exchange with the cloth seller. Money does this with all products it encounters for as long as it remains in circulation.

But money is no accident; it emerges as a necessity of exchange relations. The issue with meat in our example is that it is able to act as a means to acquire cloth only when it is known that the cloth seller wants cloth. If it was not known, then the buyer (in our case, the corn seller) would have to recourse to a wide array of different products which she may offer to the seller as a potential means to exchange, until it is found what the cloth seller is willing to exchange cloth for. Money arises due to the practical inconvenience of needing to acquire all of these many different products merely to act as a buyer; money is able to combine all of these products into itself, and act as the universal means for exchange.

The reason my critique is not a critique of money is because the introduction of money does not fundamentally alter the exchange relation (Clarke 166). In either the case of barter or money exchange, an individual, acting as simultaneously as buyer and seller, must sell products of her own in exchange for “things” which can be used as a means of purchase. Whether these “things” acquire the form of actual qualitatively different products (in the case of barter), or merely the form of money, which possesses only quantitative difference, is of no matter. In both cases, these “things” must be treated as essentially the same by the actor who wishes to purchase other products with them, and thus express a relation of fundamental *indifference* to these “things” by the actor. The actor must care not what the form of these “things” are (i.e. what products she must exchange for in order to acquire the product she desire, or if she simply uses money); the qualitative differences in these products must be abstracted, and correspondingly, the qualitatively different needs which these “things” may potentially satisfy must become abstracted.

Thus, in the case of barter the critique yet remains, and the critique will remain in the case of any discussion about exchange relations and value. Utility in the abstract is a logical impossibility, and it is therefore not possible that exchange relations, be they through barter or money, could possibly embody them. It is therefore impossible that value — the general social substance which exchange relations express — could truly be merely a question of personal utility. It is precisely personal utility which is *abstracted* in exchange relations, and therefore becomes a logical impossibility.

The issue lies in the fact that exchange expresses sociality in purely equivalent forms. Utility, being naturally unable to break its many qualitative differences, cannot in any logical sense be expressed through this paradigm. Utility thus cannot be said to be the binding factor of exchange, i.e. the value that exchange expresses.

4 — Consideration of an Objection to the Basic Critique

Because my critique functions at such a foundational level of theoretical analysis, it is extremely important that it be fully understood before one proceeds to any further level of analysis. I believe it may be helpful to provide further explanation on my critique by considering what appears to be a rather valid objection to my critique, and through explaining how the objection does not invalidate my critique, hopefully further illuminate things.

The objection I am considering essentially objects to my claim that different needs are qualitatively different and therefore cannot in any way be made commensurate with one other. The objection points out that consumers in the market often make subjective value judgements about their qualitatively different needs, and in doing so thus disprove the notion that these different needs cannot be made commensurate.

For example, if a buyer on a market is both hungry and thirsty at once, but has only the money to satisfy one of those needs, she must by necessity make a value judgement about these two different needs. In other words, she must consider which need is more valuable to her, and in doing so mentally thus makes these needs appear commensurate to each other. Buyers, in general, must make such value judgements about different needs rather often. Not every need can be fulfilled given the costs, so these needs must be considered as if they were commensurate with one another. It can almost be called a form of “mental exchange,” whereby (in our case), the satisfaction of hunger must be “exchanged” for the satisfaction of thirst, or vice versa. This perspective seems reasonable, given that everything has some form of a cost.

However, this objection does not invalidate my critique, and explaining why is important to the understanding of the critique. It is certainly true that buyers make the value judgments described above, however, these are value judgements which occur solely in people’s heads and not in the material world. The “material world” is the world of consumption, production, and exchange in the physical sense, and this contrasts with the workings of the mind.

Utility, as a concept, exists at the intersection between the material world and the mental one. Desires of the mind are fulfilled in the material consumption of a product, and exchange in order to acquire this ability also occurs at the material level. My critique operates on the material aspect of utility because it is only in the material world that exchange occurs. Desires of the mind may exist regardless of the existence of exchange relations, but exchange relations may exist only in tandem with desires of the mind. Exchange relations directly influence only the material aspect of needs—namely, the ability to consume in order to satisfy them— whereas the mental aspect of needs can exist independently of exchange relations.

For this reason, the existence of mental abstractions produced by weighing different needs against each other as if they were commensurate, does not constitute an objection to my critique. In the case of our buyer who is both hungry and thirsty at once, when she finally decides which need to fulfill, she will either eat bread and satisfy her hunger, or drink water and satisfy thirst. But bread will never satisfy thirst, nor will water satisfy hunger; and more to the point, neither bread nor water alone will ever satisfy both hunger and thirst. Each product which corresponds to a qualitatively different need satisfies utility only by way of its qualitatively specific need. This is the material reality of consumption, regardless of whether or not in a consumer’s mind it appears as if hunger and thirst can be compared and subsequently made commensurate. In the process of material consumption, the satisfaction of one’s needs is certainly something specific which generates any utility only through its specificity, e.g. if someone is hungry, they can generate utility only by buying food and eating it. Other articles of food may also satisfy our buyer’s hunger, but things other than food never will — this is the specificity of needs. For this reason, the practical reality of qualitatively different utilities cannot be ignored.

If we recourse again to money exchange, it can become clearest of all how this constitutes a critique of the STV (but keep in mind what was said in Sec. 3 regarding barter exchange). When a buyer purchases a product from a seller at a given price, and the seller then uses this quantity of money to purchase something else which satisfies a qualitatively different need from the one the buyer was trying to satisfy, the reality of money as the mediator of this relationship is immediately revealed to be not expressing utility at all. This is because there is no logical sense in which money could represent what are in material reality two entirely different things which cannot be commensurated as if they were the same — not without *really abstracting* from these needs altogether.

Whatever was the quantity of money that was used in our example, is commensurate with any other equivalent quantity; but the needs that expressed themselves through this money cannot be commensurated. If the buyer in our example purchased bread from the seller, and the seller then used this money to buy water, these two respective needs (hunger and thirst), despite being represented as clearly commensurate, have no relation to one another. Their satisfaction, which generates utility at all, cannot be mistaken for each other.

Utility is possible only through a *specificity of comsumption*, i.e. consumption which corresponds to specific needs. The creation of utility is everywhere done through this specificity and qualitative difference of needs, but it is in exchange that this must be expressed through the sole homogeneity and quantitative determination of money. In money exchange, money is the singularity — the expression of pure commensurability and qualitative indifference — through which different and incommensurate specified needs must be expressed.

This unique and independent character to exchange relations — for which money is merely an expression of — reveal themselves as such in their inability to really articulate the nature of needs and wants. This latter nature is, in reality, contradictory to the inherent nature of exchange relations, and for this reason exchange relations cannot directly articulate the nature of needs and wants.

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