Thomas Sowell and the Poverty of the Subjective Theory of Value

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While some larger projects are still in the works, I wanted to share a rather humorous passage from a bourgeois economist I came across and discuss it in the general context of the impoverished Subjective Theory of Value. The passage is from Thomas Sowell's *Basic Economics*:

> *The most fundamental reason why there is no such thing as an objective or "real" value is that there would be no rational basis for economic transactions if there were. When you pay a dollar for a newspaper, obviously the only reason you do so is that the newspaper is more valuable to you than the dollar is. At the same time, the only reason people are willing to sell the newspaper is that a dollar is more valuable to them than the newspaper is. If there were any such thing as a "real" or objective value of a newspaper — or anything else — neither the buyer nor the seller would benefit from making a transaction at a price equal to that objective value, since what would be acquired would be of no greater value than what was given up. In that case, why bother to make the transaction in the first place?*
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> *On the other hand, if either the buyer or the seller was getting more than the objective value from the transaction, then the other person must be getting less — in which case, why would the other party continue making such transactions while being continually cheated?*

> *Continuing transactions between buyer and seller make sense only if value is subjective, each getting what is worth more subjectively. Economic transactions are not a zero-sum process, where one person loses whatever the other person gains. (pp. 30–31)*

This passage is so confused that I audibly laughed the first time I read it. In the shortest manner of speaking, Sowell hasn't got a clue what he's talking about. Unfortunately his confusion does not stand alone.

The essential Achilles heel of the entire argument is Sowell's use of the word "value"; it is not clear at all what he means by "value," and he is not precise with this term. Let us take a step back and be clearer with our terms.

Value as social relation between partners in exchange

First imagine, as most bourgeois economists do, two isolated individuals who possess certain products. Both individuals see in each other's products something desirable which is not already in their possession, and so they agree on some exchange between each other. Immediately we know two things about the nature of these desirable products:

1. The products are desirable by each actor because they are *qualitatively different* from the products the actors already have;
2. The desirable aspect of the products is their *physical characteristics*.

This fact of being qualitatively different in desirable characteristics makes a product a use-value, or an item of utility.

But there is nothing in the use-value of a thing which explains why it must exchange for a certain quantity of another thing, e.g. why a newspaper should exchange for a dollar. The utility of a thing is a private affair which concerns the individual who desires it, and utility is realized in pri-

vate consumption. But the exchange-rate (or exchange-value) of a thing to another thing is a *social affair*, and is realized at the intersection between two or more individuals.

Now, there is no such thing as a social utility because utility is contingent on individual subjectivity. Yet in an exchange it is not simply individual subjectivity which is considered. An exchange is precisely the act of reconciling one's personal utility with other actors, and thus an exchange is regulated both by individual and social factors at once. In an exchange, the individual does not merely meet another individual, but rather she is standardized in relation to the other individual. The subjectivities of both actors do not simply meet, but are *reconciled*. They are compared, bargained for, and ultimately must produce some sort of standard between the two of them in order to agree on the exchange.

This standard between both actors' products in exchange (i.e. the exchange-value of their products) therefore cannot be utility alone. It is the fact of reconciliation of personal utility with social necessity that regulates exchange; to consider only utility is deliberately misleading.

Herein lies the duality between products of exchange, i.e. commodities: they are not merely use-values — in exchange they also count for socially determined *values*. This value has, by itself, nothing to do with use-value; but at the same time, value is inseparable from use-value, and only together with use-value does it constitutes a commodity.

Money as autonomous value

A fact which now must be made clear is that money has no use-value. It has no desirable physical characteristics. Money is, in and of itself, effectively nothing. But what it *represents* are the set of social relations for which it was made a practical necessity. Moreover, its *practical application* is as a means for which actual use-values can be appropriated.

That all commodities in developed capitalism express themselves in their relation to money is proof of the matter that value does not express a personal relation in utility, but in fact expresses a social relation. Money is the universal mediator of exchange. Utility cannot fulfill this role — in other words, money cannot be representative of utility — because utility is above all an instance of *qualitative difference* between products expressed through the unique consciousness of individuals. Money, on the other hand, expresses solely a *quantitative difference* that is generalized across society. Use-value effectively expresses a relation that is precisely the opposite of money.

Herein lies the poverty of Sowell's argument. When someone exchanges a dollar for a newspaper, she is not at all exchanging a use-value for another use-value. She is exchanging a socially determined *value* (the dollar) for a use-value (the newspaper). This value is an expression of the social relations which she relies on in order to be able to appropriate a definite amount of use-values under developed capitalism.

Of course, the one question we have not asked is what value actually is and what "social relations" value is actually expressing. It is, however, not necessary to answer such a question for our purposes. The fact of the matter is that once we *even pose* such a question, Sowell's entire framework for interpreting "the economy" becomes invalid. Even the act of acknowledging that there exists "social relations" which exist beyond simple individual utility, and which individuals can only utilize *a posteriori* for their own ends but never actually determine, immediately reveals the vacuous nature of Sowell's analysis.

Sowell's analysis explains very well the *formal rationality* of exchange, but it entirely ignores the actual substantive relations which underlie this rationality (See Clarke, pp. 162–83). That I value a newspaper over a dollar is all well and good; that I should have to sell my labor-power to the capitalist to earn that dollar is another thing, that I should have to

buy from this newspaper stand because it is the only one in town is another thing, and that I should have to exchange a dollar to get a newspaper at all is yet another thing.

In some sense, Sowell is right that exchange is subjective. But he is not correct in implying that this is all there is to exchange, i.e. that an objective value does not exist. Indeed it does, and its ramifications can be felt, touched, seen, heard, measured, weighed, calculated, studied, and verified. It is not within the scope of this piece to explain how this is the case, or how this relates to selling labor-power. But once we know an objective value does necessarily exist, we can successfully break from a Subjective Theory of Value and begin genuinely productive analysis.

Sowell, Thomas. *Basic Economics: A Common Sense Guide to the Economy*. Basic Books, 2015.

Clarke, Simon. *Marx, Marginalism and Modern Sociology*. Palgrave Macmillan, 1991.