THE IRRELEVANCE OF THE SUBJECTIVE

Michael Gorr's construal of the notion of exchangeability is the main ground for his criticism[1] of my view that the economic value of a thing is just what it will fetch in the market.[2] I consider these issues in the first two sections below. Gorr is also anxious to defend the subjective use-value doctrine of the Austrian school and enters some reservations about my remark that what people do is not always what they want to do. I attend to these points briefly in the third and fourth sections.

I

Gorr considers an apple and an orange, supposed to belong to what he thinks of as one exchange class.[3] Then he writes (pp. 84-85),

> It is entirely possible that the apple is exchangeable for the orange (i.e., that the owner of the orange is willing to trade for the apple) but that the orange is *not* exchangeable for the apple (i.e., that the owner of the apple is *not* willing to trade for the orange).

He concludes from this that exchangeability is not symmetric, that it is therefore not an equivalence relation, and hence that my proposed definition of economic values as exchange-equivalence classes won't do.

In these remarks Gorr takes for granted his notion of exchangeability, made explicit farther on in his definition of the exchange class of a given commodity (p. 86). Gorr takes it as definitional that one commodity is exchangeable for another just in case *the owner of that other is willing to trade it for the one*. That is, Gorr equates willingness to trade this for that with exchangeability of that for this. Well now, however useful or entertaining this notion (Gorr-exchangeability, as I shall call it) may be, it is not what I had in mind, and not, I presume, what Adam Smith, Karl Marx, and the

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other classical economists had in view either. I take it, moreover, that it is not the conception to which they ought to have attended.

Gorr-exchangeability is obviously not symmetric: I am willing to trade a pack of chewing gum for a new Rolls Royce, but it is beyond belief that any sane, adult owner of a new Rolls Royce would part with it for a bit of chewing gum. The chewing gum belongs to the Gorr-exchange class of the Rolls (i.e., the Rolls is Gorr-exchangeable for the chewing gum), but the Rolls does not belong to the Gorr-exchange class of the chewing gum. Hence, Gorr-exchange is not symmetric. Ergo, Gorr-exchangeability is not an equivalence relation. All that, however, has little to do with the actualities of exchange in the market, and nothing to do with the notion of exchange-equivalence as proposed in my paper.

What is of interest is not Gorr-exchangeability – the willingness or unwillingness to trade on the part of any particular persons – but rather the reality of what does or would exchange for what in the market. The classical economists noticed, what they could hardly have overlooked, that at a given time commodities do not exchange capriciously. Instead, they saw that commodities tend pretty nearly to exchange in fixed ratios. For example, contemplating a quarter of wheat, x blacking, y silk, z gold, &c., Marx observed that any one of these commodities could be disposed of in the market and replaced by any of the others. Anyone possessing z gold, say, could obtain y silk in place of it, and *vice versa*, either directly or indirectly.

What does or would trade for what is settled in the market. Thus, if AT&T is at 60 and GM is at 75, then 5 shares of the former *can* be exchanged for 4 shares of the latter, ignoring complications about commissions, transfer taxes and fees, and odd-lot differentials. This is so entirely apart from any one person's willingness or unwillingness to trade in those shares at the market. Moreover, if my typewriter is worth $300, i.e., if that is what it will fetch in the market, then I can obtain in place of it (that is, I can exchange it for) 5 shares of AT&T, or 4 shares of GM, or..., and *vice versa*. The typewriter, those blocks of stock, and

many other things belong at this time to one exchange-equivalence class. In general, the collection of all commodities such that, at a given time, any one of them *can* be exchanged for (is exchangeable for) any one of the others is, by definition, an exchange-equivalence class.[4]

It is in this sense of exchangeability, of what can be got for what, that the class of commodities is partitioned into exchange-equivalence classes. In this sense it is trivially obvious that exchangeability is reflexive, symmetric, and transitive, the peculiar logical properties of Gorr-exchangeability notwithstanding.

The problem for the classical economist — Marx, for instance — was to find what, e.g., a quarter of wheat, x blacking, y silk, z gold, &c., had in common. It is a problem for which they supplied what pretends to be a substantive (but, in my opinion, incorrect) solution and one for which I offer an unabashedly trivial (but, in my opinion, correct) solution. It is trivial, and perhaps a trifle disappointing, much as Russell's definition of number is trivial. The notion in question (number, economic value) is formally defined by reference to the entities (sets of individuals, commodities) supposed to fall under the notion and nothing else. The definition does not call on some other thing (such as an "intuition of unity" for numbers, or "subjective attitudes" and "socially necessary labor" for economic value) to satisfy the craving for something substantial underlying, and so explaining, what was puzzling in the first place. The latter omission, of course, is why such definitions are disappointing to some: "You say the number three is just the class of all triples, like the Erinyes? But I want to know the *essence* of threeness, and why the Erinyes are three and not something else."

The definition of economic values as exchange-equivalence classes is a purely mathematical, ideologically neutral device, useful for describing something important in economics. Besides, it is a device that fits very well with many uses of the term *value* in business and economics, that provides part of a rationale for quantitative discourse in economics, and that can clarify discussion by helping to keep distinct things distinct. At risk of boring the reader, I insist

once more that what a thing *is* and what *causes* it to be what it is are different. An oak tree is not the same as an acorn, although acorns are undeniably (part of) the cause of oak trees. Analogously, though labor expended in production, and subjective attitudes of traders, and many other things besides may well be causally related to the economic values of commodities, those causal influences *are not the same as* the values they bring commodities to have.

II

In section 2 of his paper Gorr raises the issue of the value of commodities that are not actually traded. If the economic value of a thing is what it fetches in the market, what is the value of something that doesn't fetch anything because it is not in fact exchanged? The solution is implicit in my talk about the stock market. The present value of an economic good is discovered by consulting the market, whether one intends to trade or not.

The market may be looked into by reading the ticker at a brokerage house, examining auction records for rare wines and works of art, reading market reports in trade journals, or by inquiring of a variety of experts and authorities: used-car dealers, *Kelley's Blue Book*, real-estate agents, tax assessors, professional appraisers, pawnbrokers, auditors and accountants, &c., &c. Thus, if Gorr were to offer something, a car, a collection of gold coins, a house, shares in IBM, or whatnot, as collateral for a loan, a hard-nosed banker (the only kind there ought to be) would determine the economic value of that collateral by consulting the market in the ways I have suggested. What that banker most certainly would not do is inquire into "the strength and content of the *desires* and *preferences*" of potential buyers of that commodity (cf. Gorr, p. 86), unless such a consultation of the market is regarded as just such an inquiry into subjective attitudes. In that event I would have no argument with Gorr, but then he will have given the game away.

Where there is no market for a commodity, there that commodity has no value. For instance, imagine John Wayne, in a Western movie, with a herd of cattle on the way

to Dodge City. The formidable Mr. Wayne might be heard exhorting his cowhands, exhausted after fighting off an assortment of rustlers: "Ok, fellas, let's get ridin' and drive this herd on into Dodge. *These cattle ain't worth nothing out here on the trail.*" Allowing for his grammatical lapse, the grizzled hero is correct. Those cattle, at that place and time, are not worth anything (or not much, anyway). No one else in the neighborhood wants them, other than the rustlers who don't count because *trade* isn't what they have in mind, and the cattle are of no use to anyone there, except as bearers of potential value to be realized at the end of the trail. This potentiality, and uncertainty, of value in the absence of a market is part of the risk of enterprise. It may be, after all, that by the time the herd comes to market, prices will have dropped disastrously, or perhaps people will have stopped eating beef. In that case the cattle would have little or no value, or maybe even negative value. Farmers sowing wheat in the spring, publishers of new books, manufacturers of new products (or old ones for that matter), prospectors filing claims for gold or uranium mines, a producer readying a play for tryouts in New Haven and Philadelphia, and so on are all in the same position as those mythical cattlemen in the Western movie. The market decides the economic value of whatever it is they are about. (This, I cheerfully admit, is a truism of the view I advocate.)

III

In spite of what its defenders think, the subjective use-value doctrine of the Austrian school is not a *conceptual* analysis of the notion of value. Rather, these writers take for granted a conception of subjective valuation that they invoke in a causal or functional explanation purporting to show *how it comes about* that commodities exchange as they do. For instance, in his note 6 Gorr writes, "No one would ever bother to exchange a good for one that was only valued *equally*; on the contrary, exchange occurs only when each party values what he receives *more* than what he gives up." Clearly, Gorr is here explaining why goods are exchanged. None of that, however, is conceptually relevant to my

proposal, any more than Boyle's Law is relevant to understanding the concept of volume. My proposal is neutral with respect to all putative causal or functional explanations of how exchanges do or should take place.

Now, as an aspirant to the office of causal and functional explanation, the subjective use-value doctrine is open to the dangers that all such theories face. The fond belief of its advocates notwithstanding, the theory may turn out to be circular or vacuous. Alternatively, the theory may well be substantial enough but could turn out to be, unhappily, false. How stands it then, with the Austrian school's account?

According to Gorr (p. 87), that theory is not *circular*. On the Austrian view, he says, subjective preferences and economic activities are not mutually explanatory, but rather "preferences explain actions" while actions are the evidence that the preferences exist. Even so, Gorr allows that the theory would be vacuous "if our only evidence for . . . an intentional state is the behavior it is supposed to have initiated." Thus, Gorr continues, independent evidence for appropriate psychological states is, can be, or ought to be appealed to by the Austrian school to help "provide a foundation for economics, particularly an account of economic value." So, granting the nice distinction Gorr notes between circularity and vacuity, the debate reduces to the question whether the subjective use-value theory is vacuous.

To this I point out, first, that no matter how they may bear on the causal issue, empirical studies cannot possibly have anything to do with the purely conceptual problem addressed in my paper. Second, the subjective use-value theory *in its present state* does not in fact rely on such empirical investigations as Gorr recommends. This is evident from what is said by Gorr and the several sources both he and I have cited. Indeed, adherents of the theory seem to hold to it as stubbornly as a fundamentalist to belief in the Resurrection.

Anyhow, the outlook is not promising for a theory rehabilitated along the lines Gorr suggests. In its parlous, even disreputable, intellectual condition, contemporary

psychology is hardly a reliable support for that enterprise. Moreover, if the theory were to maintain, nonvacuously, that exchanges always occur in accordance with the preferences of all parties to the transactions, it would have to overcome prima facie evidence already available against it. For example, forced sales under foreclosure often are transactions carried out contrary to the preferences of the foreclosed-upon owners. There are, as well, transactions that do not accord with the subjective preferences of the owners because the owners *don't have* any preferences in the matter. Most shareholders in AT&T, I venture, are ignorant of, or indifferent to, the company's acquisition of this or that lot of electronic hardware. Similarly, a babe in arms obviously has no attitudes for or against transactions undertaken by trustees of its estate. Again, the theory would have to account for capricious, impulsive exchanges. It is not clear, for instance, that someone who says, "I don't know why I bought this kewpie doll; I really don't care for such things; I must have been carried away by the carnival atmosphere," is uttering a falsehood. People often do give in, even against their better judgment, to fast-talking salesmen, social pressures, passing fads, and so on. It would have to be an uncommonly subtle and intricate theory that could at once avoid vacuity whilst supplying the requisite number and variety of psychological causes. May I be permitted to doubt that such a theory, if one is forthcoming, would stand much chance of being true?

IV

Disputing my remark that what people do isn't always what they want to do, Gorr says (p. 87) that many philosophers maintain "that intentional action does entail the existence of appropriate behavior-generating wants (in a 'reasonable' sense of the term)." Since the issue is controversial, Gorr says, argument is called for to support positions on one side or the other, and I agree.

But first, it ought to be clear what is in question. I am not arguing about the concepts of action, intention, and so on. That is Gorr's territory, upon which I do not care to trespass.

I am talking about what people do.

One thing people do is comply with governmental edicts. They pay taxes. They present themselves for induction into the army when so ordered by draft boards. It is my understatement to say that many who do these things don't want to do them.

Another thing people do is make mistakes. For example, in typing an early draft of this paper I spelled out *waht* in a place where I wanted to write *what*. I typed out *waht*, but I certainly didn't *want* to do that.

Again, people often do things unaware, neither wanting to nor wanting not to.[5] Recently I was cited for speeding; my mind had been elsewhere. I had paid no attention to the speedometer, and there I was with a ticket. I had not wanted to exceed the speed limit, but neither had I wanted *not* to exceed it. Still, that is what I *did*, and I was properly fined for it.

Plainly, there are many such cases, and not all of them unimportant ones. Thus, it is false that what people do is always what they want to do.

California State University, Los Angeles SIDNEY TRIVUS

1. Michael Gorr, "Trivus on Economic Value," *Reason Papers*, no. 3 (Fall 1976), pp. 83-89. All page references in the text are to this paper.

2. Sidney Trivus, "Dissolving a Muddle in Economics," *Reason Papers*, no. 2 (Fall 1975), pp. 1-8.

3. Gorr's model-theoretic apparatus doesn't do what he wants it to do. To represent exchange classes in his sense requires a structure consisting of ordered pairs, the exchange classes *of* various commodities. That is, a Gorr-exchange class should have the form $(X; a, b, c, \ldots)$ where X is *the object of desire*, the commodity for which bids are or would be offered, and $a, b, c, \ldots$, comprise the *bid set* for X, the commodities that are or would be offered for the object of desire. Ordered classes like these, however, cannot be the elements of a partition of the overall set of commodities, for such sets cannot satisfy the requirements for a partition. Even

if the bid sets alone are considered, they would not serve to form a partition, for they need not be disjoint: the set containing *a* and *b* could be the bid set for one object of desire while that containing *b, c,* and *d* could be the bid set for another object of desire. My chewing gum, for instance, is in the bid set for a Rolls Royce and it is also in the bid set for a dinner at Tadich's in San Francisco. Now, if the sets in Gorr's model are examples of exchange classes in the sense I have proposed, then his putative counterexample to symmetry is incoherent, for first he places his apple and orange in the same equivalence class and then in the next breath denies that each is exchangeable for the other. If, on the other hand, the apple and orange comprise the bid set for some other (unspecified) commodity, it is not surprising to find them not to be mutally exchangeable, for not all bids at an auction have the same economic value. In any event, I must point out that Gorr's recourse to the formalities of model theory is otiose, for nothing in his paper depends on it, and so soon as he introduces it, so quickly does he ignore it.

4. It should now be clear that Gorr's example, in his note 4, of a car that *would* bring $500 on the market, though its owner does not care to sell, is not a difficulty for my view. It would be a difficulty if I agreed, which I do not, that exchangeability of *this* for *that* is the same thing as willingness to trade *that* to acquire *this*. On my view, Gorr's unwillingness to sell his car does not deprive it of economic value. Supposing that $500 is the going price for Gorr's car, it follows that Gorr's car is exchange*able* for $500, as well as for any other commodity of equal value, whether Gorr is willing to strike a bargain or not.

5. Just this sort of thing gives Tom Sawyer the key to solving the mystery in Mark Twain's "Tom Sawyer, Detective."

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