Associative Economics Café # 5 • Report

03.19.02010 Intrinsic Value?

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AE Café # 5 met at the Youth Annex next to the Sebastopol Community Center last Friday the 19th of March 2010. We will have AE Café' # 6 this coming Friday the 2nd of April when we will continue identifying key concepts from Section 1 – 8 of 'Prelude in Economics' (www.cfae.biz). The idea that something has intrinsic economic value is often associated with the labor theory of value where the products of nature modified by human activity create value. (daniel@economicsfoundation.org)

"The economic value of something depends upon the value of everything else."

"The bane of economics is the expression 'intrinsic value' that is confusing an intrinsic quality with an external relation."

With a little research, it is easy to conclude that intrinsic value has no bearing when it comes to the consideration of economic value. This is not a judgment on what should be done with resources; it is just technically impossible for economic value to reside in the atoms, molecules or chemical composition of a substance. A loadstone or a medicinal plant has an **inherent virtue** in all places at all times, yet may be of **small value** or no price. When looking to acquire an economic good, each side of the transaction must decide how much time, effort, or other economic goods he/she will be willing to offer in exchange. That decision determines the value of that economic good, at that particular time, that place and to that unique individual. Value is in the eye of the beholder and not in what is beheld. Marx argued that it was the labor put into tangible goods that created true economic value and that capital and culture are just add-ons. When speaking of economics, it has nothing to do with the agreeableness or useful qualities of things, but only with their external relations to other things. From Aristotle to Steiner and into modern economic thought, "Invisibly, fluctuating value is assigned by human beings and is not inherent in the goods themselves."

Color chalk on a black wall was used to help visualize the time line of the developing view of economic value since Aristotle. The presentation started with the products of nature cited as the main source of economic value in the past. The long stretch from Aristotle to Adam Smith has little economic thought of merit for the reason that the expansion of trade is a recent development that formerly took place instinctively, ordered by religion and caste. The place system for numbers, brought to European commerce by Fibonacci in 1201, provided the final piece for a true double entry accounting system that then ignited economic trade in the Italian city states. Money is an accounting concept that can only be understood through the ancient technique of zero sum accounting – the 'Italian Method'. As the individual emerges from the confines of nature and external authority, capital emancipates itself from nature as the division of labor process and the creative talents of individuals increase. In modern economic life, it is the exponential growth of applied intelligence and capital that increasingly creates economic value. The last image was that of the EM spectrum with the infra-red representing nature and the ultra-violet representing the pole of intelligence. The normal economic life being the visible light between these two poles of value creation. Human activity either modifies the products of nature or creative human intelligence improves human activity (labor). So that price arises as a result of the interplay of values ranging from one pole to the other (See Lecture II Economics Course 1922 Rudolf Steiner).

Daniel Osmer, Ambassador for Youth *3/27/02010*