

# A critique of Böhm-Bawerk's concept of value and his theory of the measurability of value<sup>☆</sup>

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## Introductory remarks

The critical considerations before you of several aspects of Böhm-Bawerk's theory of value are meant to lay the groundwork for the final clarification of the received marginal utility theory. Although having become an enduring stock-in-trade of theoretical economics, this theory has not ceased to exert a hampering effect, through several of its elements, on the continued advancement of the science. It is to be demonstrated here how the psychologistic<sup>1</sup> misinterpretation, in artificial conceptual constructions, of the nature of value crops up and entangles the entire theory of the measurability of value in insurmountable difficulties and wrong turns. The positive resolution of the questions touched upon here is to be reserved for another, forthcoming publication.<sup>2</sup>

## I Outlines of Böhm-Bawerk's derivations

The problem of the measurability of economic value is absolutely correctly posed by Böhm-Bawerk insofar as he separates it entirely from the question of the "practical feasibility

<sup>☆</sup> "Zur Kritik des Böhm-Bawerkschen Wertbegriffs und seiner Lehre von der Meßbarkeit des Wertes", *Schmollers Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft im Deutschen Reich*, vol. 51 (no. 4, 1927), 37–52 ([545]–[560]). English translation by Roger V. Rosko and John S. Chipman. Approximate page breaks are indicated in brackets. While the English translation of the fourth edition of *Kapital und Kapitalzins* (vols. II and III) has been consulted for Slutsky's quotations from Böhm-Bawerk, fresh translations of these passages have been provided. For the convenience of readers who wish to consult Böhm-Bawerk's work, page references are provided to the posthumous 4th German edition of *Capital and Interest* (indicated by "4.A.") and to its English translation (indicated by "E.T."). Annotative footnotes are in brackets. We wish to express our appreciation to Claus Wittich and Guido Rauscher for their most helpful comments on previous drafts of this translation.

<sup>1</sup> [The terms "psychologism" and "psychologistic" were introduced by Edmund Husserl (*Logische Untersuchungen*, vol. I, Halle, 1900, Chapters 3–8) to denote an inappropriate intrusion of psychology into logic. See also the English translation, *Logical Investigations* (London 1970). Here, Slutsky is using it to denote an inappropriate intrusion of psychology into economics.]

<sup>2</sup> [This publication never appeared.]

of exact, objectively correct measurement.”<sup>3</sup> The latter is a question in and of itself, although it has meaning only under the *following assumption*: that it concerns a quantity which, by its nature, is measurable. [38]

Although the arguments that our author advances on the question of the measurability of economic value seem at first glance to be very cogent, it can be shown on closer examination that they are constructed entirely on thin air.

One may regard as the point of departure for the entire line of argument the proposition that the measurement of value is actually none other than the measurement of feelings of pleasure or pain: “Judgment as to the magnitude (intensity and duration) of a particular pleasure or pain is a distinct psychic act. The intensity (and duration) of sensation detected by this distinct psychic act (correctly or incorrectly) lends direction and intensity to an aroused desire; and this desire ultimately motivates our action.”<sup>4</sup> The sensation under discussion here is that which comes into being through the satisfaction, dependent on disposal over a corresponding good, of a need. One is supposed to envisage this feeling in advance and form a judgment of its amount, in order thereby to estimate the significance of the good.

One may regard as a second piece of evidence—about which, as our author maintains, there is complete unanimity—the proposition “that we are capable of deciding whether one sensation of pleasure is generally stronger or weaker than another.”<sup>5</sup>

The third proposition reads: “with the intensities of sensation, a summation of unequal amounts . . . is . . . possible, and for this reason a summation of equal amounts . . . also cannot be impossible.”<sup>6</sup>

From these principles, the measurability of value is to be almost directly inferred.<sup>7</sup>

In proceeding to the analysis of this train of thought we must first decide in what sense the summation of intensities of sensations, regarded as possible by Böhm-Bawerk, is to be understood. Is it perhaps meant that if one comes into the position of having to make a choice between a larger pleasure and a totality of several smaller ones, one then listens to the voice of desire, and inclines to the side towards which one feels driven or, respectively, drawn by a more intensive desire? That would of course be summation in a figurative sense, although when Böhm-Bawerk states: “The judgment must be directed strictly toward how many smaller pleasures *counterbalance* one pleasure of the first kind,”<sup>8</sup> one can then understand this as [39] perhaps an indirect impetus toward the above conception. If, however, one takes into consideration what he states against the notion that we arrive at the knowledge of the magnitudes of sensation by way of a detour through the intensities of desire,<sup>9</sup> one would then have to conclude that the interpretation indicated above is completely untenable. Furthermore, it would be an entirely inadmissible assumption were one to hold

<sup>3</sup> E.v. Böhm-Bawerk, *Kapital und Kapitalzins*. Zweite Abteilung [Part 2]: *Positive Theorie des Kapitals*, 3. Auflage [third ed.], [Zweiter Halbband (second half-volume)], Innsbruck, 1912. Excursus X, p. 307. [4th (posthumous) edition of *Kapital und Kapitalzins* (Jena 1921), vol. II.2, p. 225; English translation, *Capital and Interest* (South Holland, IL, 1959), vol. III, p. 136].

<sup>4</sup> *Loc. cit.*, Excursus X, pp. 297–298. [4.A., II. 2, p. 218; E.T., III, p. 132].

<sup>5</sup> *Ibid.*, Text, p. 333. [4.A., II.1, p. 249; E.T., II, p. 198].

<sup>6</sup> *Ibid.*, Excursus X, p. 296. [4.A., II.2, p. 217; E.T., III, p. 132].

<sup>7</sup> Again, see *op. cit.*, Text, p. 340. [4.A., II.1, pp. 253–254; E.T., II, pp. 200–201].

<sup>8</sup> *Ibid.*, Text, p. 334 (emphasis mine). [4.A., II.1, p. 249; E.T., II, p. 198].

<sup>9</sup> *Ibid.*, Excursus X, pp. 298 ff. [4.A., II.2, pp. 218 ff; E.T., III, pp. 132 ff].

that the meaning of “summation” consists in the envisaging of two or multiple forthcoming pleasures evoking one (and indeed *numerically one*) current desire, which is then compared, according to its intensity, with another analogous desire. Böhm-Bawerk also criticizes this conception, and discards it.<sup>10</sup> One could, finally, apprehend as still another possible meaning of “summation” of pleasures the determination of their total value, in *such* a form, for example, that one wonders whether they, taken altogether, would be worth so much that they would be preferable to another, in certain cases competing, pleasure. Yet this interpretation is to be discarded as well, for—as it further emerges—the notion of the value of pleasure or pain itself is a thought deeply and wholly foreign to our author.

As far as we know, by the summation of the intensities of sensations, he ought to have meant something like simple addition in a literal sense. His boy, for example, who compares the seven pleasures which seven plums promise him with the imminent pleasure from an apple does something along the lines of a fantasy visualization of the pleasure to which a “sum” of those seven is equal. One wonders whence, though, in the whole world, should the certainty come that this imagined pleasure is also really equal to (?) the sum (?) of the seven pleasures?

The interpretations examined above, specifically that the individual desires this pleasure with equal intensity, or imagines it with equally intensive current desire, or regards it as being of equal value, as a totality of smaller pleasures, we have rejected. If we do not want to conceive of any other otherwise unfounded theories in the expositions of Böhm-Bawerk himself, to which of course one has no right, then in my view there is only one possible interpretation left to us, and indeed this: that the totality of several pleasures could constitute, in a direct manner, an immediately discernible unit of pleasure. But this is a thesis which now scarcely meets with even a single affirmation among those versed in the question. If desire is a quantity, then it is a quantity of intensity. For this reason it has no parts that could be contained in the unit of a whole in any intuitive way. To assert the opposite [40] is, hence, only possible without taking into consideration the straightforward meaning of what is asserted. That, however, is countersense in the strictly logical sense of the term.<sup>11</sup>

## II Proof of measurability by the fact of measurement

How, then, does Böhm-Bawerk arrive at his thesis of the summability of the intensities of sensations? Its justification is only indirect; and if one takes into consideration his well-known penchant for psychological underpinning of his basic precepts one will then have to perceive this as a not insignificant situation. Let us take the liberty of setting out the corresponding line of thinking *in extenso*: “We maintain [he states] that the magnitude of value of a good is derived from the magnitude of some gain in welfare. We encounter

<sup>10</sup> *Ibid.*, Excursus XI, pp. 308 ff. [4.A., II.2, pp. 226 ff; E.T., III, pp. 137 ff].

<sup>11</sup> “Even the greatest scientific investigators have occasionally lapsed into countersense; and when it is our scientific duty to say so, it will not impair our respect for them.” Edmund Husserl, “Ideen zur einer reinen Phänomenologie und phänomenologischen Philosophie,” *Jahrbuch für Philosophie und phänomenologische Forschung*, vol. I, Part 1, p. 98, footnote 1. [*Ideas Pertaining to a Pure Phenomenology and to a Phenomenological Philosophy*, translated by F. Kersten (The Hague: Nijhoff, 1982), pp. 118–119. Kersten’s translation of the preceding (first) sentence in this footnote (not quoted by Slutsky) reads: “In this Essay *Widersinn* (countersense, absurdity) is a *logical* term and express[es] *no* extra-logical affective valuation”].

the objection that gains in welfare are not subject to measurement because sensations are ‘incommensurable’ and cannot be calculated at all. We answer by proving that, rightly or wrongly, at any rate they are in *actual fact* calculated, and thereby we have already proven the reality of the supposition upon which we rely. The fact that the calculations that actually occur are inaccurate or erroneous does not render our theoretical *explanation* of the estimations of value inaccurate or erroneous, but rather the *estimations themselves* . . . But the erroneous calculation serves in this context just as well to explain correctly the erroneous estimations of value as do the correct calculations to explain correctly the correct estimations of value.”<sup>12</sup>

All of these considerations miss the mark. The fact that people economize rationally, weighing benefits and detriments against one another, and so forth, is no proof that they do so in no other way than by measuring the intensities of sensations, or, respectively, by their summation. What Böhm-Bawerk presents to us is a theory of motivation, though what he endeavors to present to us for its justification, as a fact of the summation of intensities of sensations (to the extent that it really is a fact), is the fact of motivation itself, whose sheer facticity as such can speak no more for his than for any other theory of motivation. In the preceding paragraphs we have presented several attempts at other explanations of the ostensible summation of intensities of sensations; however, there can of course be no talk of us having exhausted all existing theories—not to mention all conceivable ones. [41] Which theory is the correct one can be ascertained only by insight into the nature of the corresponding events, possibly by corresponding experiments, but not by reference to its sheer facticity—except, say, if it could be proven that all other conceivable theories are false. But Böhm-Bawerk has neither proved this, nor could he have.

Furthermore, assume that the establishment of the fact of summation of intensities of sensations called into question by us were successful. How would things then stand with the logical value of concluding the possibility of summation from the fact of summation? I will explain the matter by way of an example. Let us assume that the degrees of hardness of minerals (according to Mohs’s hardness scale<sup>13</sup>) for some practical consideration (for example, according to conventional customs of trade) were handled as real quantities. Would, then, the actuality of the “measurements” pass for justification of the logical (intrinsic) possibility of measurement? And what should our response be to those who wanted to persuade us: “that because the calculations actually occurring are inaccurate or erroneous does not render our theoretical explanation of the estimation of hardness, but rather the estimation of hardness itself inaccurate and erroneous”. The logical error of Böhm-Bawerk’s proof is now entirely clear. It consists of the fact that his alternative (correct or erroneous measurement) does not exhaust all possibilities, for what can be presented as a measurement can also be an ostensible—and hence neither a correct nor an erroneous, but rather no—measurement. With this the entire line of argument collapses.

If one has established to oneself that the actual summation of intensities is countersense, then the Böhm-Bawerkian line of thinking turns into a *reductio ad absurdum* of his theory of motivation. For this logically unimaginable and intrinsically impossible operation (the

<sup>12</sup> *Op. cit.* Text, p. 339. (Author’s emphasis.) [4.A., II.1, p. 253; E.T., II, p. 200].

<sup>13</sup> [Cf. Friedrich Mohs, *Grund-Riß der Mineralogie*, 2 vols. (Dresden: Arnold, 1822–1824), translated as *Treatise on Mineralogy*, 3 vols. (Edinburgh: Archibald Constable & Co., 1825). This scale was cited by Böhm-Bawerk].

summation of intensities) is supposed, according to him, to be accomplished by every rationally acting, valuating, and choosing subject.

It is not easy to understand how such an astute thinker could avoid as deep a connection as the one between the problem of measurability of intensities of sensations and the problems, long discussed in the psychological literature, attaching primarily to Fechner's law.<sup>14</sup> It is of course correct that, as Böhm-Bawerk himself aptly notes, the posing of the problem in the two fields is to some extent divergent; his claim, however, that in that case it deals only with the possibility of "exact, objectively correct measurements"<sup>15</sup> utterly contradicts the actual situation. Here, as there, [42] the basic questions are the same: what is measurement, and under what conditions can magnitudes of intensity be measured? I find only one explanation for this oversight, namely, that dangling before his mind's eye is an operation of summation in a figurative sense about whose nature he could not arrive to clarity himself.<sup>16</sup>

### III Hedonism in Böhm-Bawerk's theory of value

Böhm-Bawerk, as is well-known, sets out his theory of value in the language of hedonism. With this we are not saying that he professes hedonism as a matter of principle. Even from the very outset, his exposition was furnished with cautious reservations,<sup>17</sup> and in the third edition of the *Positive Theory* there indeed appears a separate subsection: "Hedonism and the Theory of Value", in which the author makes an effort to disassociate himself from hedonism. In it he states that he has "neither any cause nor any inclination" to rule out the effectiveness of other motives for action besides one's own sensations of pleasure and pain, and that the issue of whether the psychological question in dispute is decided in favor of or against hedonism is completely extraneous to the value theory he champions.<sup>18</sup> Nonetheless, to the extent that sensations of pleasure and pain are accorded, in his opinion, a dominating role in the field of economics, he deems the terminology of hedonism appropriate to a higher degree for his exposition than "a broader, more colorless terminology... which [leaves] room for the emergence of pursuits of a different nature."<sup>19</sup> Were the exposition to be sufficiently furnished with cautious reservations, the hedonistic terminology would also

<sup>14</sup> [Fechner's law states that sensation is a logarithmic function of the stimulus (cf. R. Duncan Luce and Eugene Galanter, "Discrimination" (in R. Duncan Luce, Robert R. Bush, and Eugene Galanter, Eds., *Handbook of Mathematical Psychology*, New York, Wiley, 1963, pp. 191–243), pp. 212–213. This assumes that sensation can be measured. This is done by Weber's criterion of just-noticeable differences in sensations resulting from changing the stimuli, and his finding—called "Weber's law" by Fechner—that these differences vary as the *ratios* of the corresponding stimuli. Cf. Gustav Fechner, *Elements of Psychophysics*, vol. 1 (New York: Holt, Rinehart and Winston, 1966, translated from *Elemente der Psychophysik*, 2 vols., Leipzig: Breitkopf & Härtel, 1860), pp. 54, 112–114, 197–198; and Ernst Heinrich Weber, *The Sense of Touch* (New York: Academic Press, 1987, translated from *De pulsus, resorptione, auditu et tactu*, Leipzig, Koehler, 1834, and *Der Tastsinn und das Gemeingefühl*, Leipzig, 1905), pp. 131, 210–211, 220–221].

<sup>15</sup> *Op. cit.* Excursus X, pp. 306–307. [4.A., II.2, p. 225; E.T., III, p. 136].

<sup>16</sup> The precise meaning and full ramifications of this comment cannot be set out in the scope of this essay; on another occasion I will return to this question again.

<sup>17</sup> "Grundzüge der Theorie des wirtschaftlichen Güterwerts", *Jahrbücher für Nationalökonomie und Statistik*, N.F., vol. 13 (1886), p. 13. *Positive Theorie*, Text, pp. 316–317. [4.A., II.1, pp. 236–237; E.T., II, p. 188].

<sup>18</sup> *Ibid.*, Text, pp. 316–317. [4.A., E.T., *ibid.*].

<sup>19</sup> [The text of this footnote does not appear in Slutsky's article. Evidently it should read: [*Ibid.*, Text, pp. 317–318. 4.A., II.1, p. 237; E.T., II, pp. 188–189].

become entirely harmless, in that it could not impair the universality of either the proofs or the conclusions.

At first glance it may be that all of this appears entirely plausible, though if one examines the matter more closely, it turns out that the spirit of hedonism is not at all so easy to exorcise. What does Böhm-Bawerk have as a substitute for this hedonistic terminology? “For instance,” he states, “instead of a ‘gain in welfare’ I could have substituted throughout the expression ‘gain in the attainment of loved and the avoidance of hated effects’, or ‘gain in wish fulfillment’; instead of ‘pleasure’ I could have said ‘what is wanted’, or ‘wish fulfillment’, and instead of ‘pain’ I could have said ‘what is unwanted’ or ‘frustration of wishes’; I could have defined value as the significance [43] ‘that a good possesses for the purposes that are highly regarded by an individual,’ and so on.”<sup>20</sup> Now is this a truly satisfactory substitute? What becomes of all of his theory of motivation, of all of the comparisons, summations, and measurements of intensities of sensations, if such a “broadened” terminology is in fact also to be substituted for the lines of thinking in his hedonistic theory? Gross countersense and nothing more. Just try.

In fact, to the extent that our author tarries in the area of “hedonistic” motivation, all motives remain, at least qualitatively, similar in type to some degree. What, however, if one had to choose between pleasure and duty, or honor and life? Or, if there stood on the one side a greater pleasure and on the other side a smaller one, though in addition, a duty associated with suffering? The alchemy of hedonism supposes itself capable of transforming all of these things: honor, duty, passion and who knows what else into sheer sensations of pleasure and pain; but to our author, after his turn away from hedonism, this route remains as good as closed. What now? Are all intensities of sensation perhaps commensurable, so that, for example, a “feeling of honor” and a “feeling of pleasure”, could at equal intensities balance the scale against one another? Or should one imagine, for the sake of commensurability, each as being reckoned by coefficients? And will one not be able to conclude, in the face of this insight, that direct comparison, or, respectively, summation, is ruled out here by the nature of the objects selected, and what then becomes of Böhm-Bawerk’s entire theory of motivation and the theory of measurability of value? Does it not all inevitably collapse?

This is not to say that such motives in reality seldom occur. Their primary significance for the theory of value has in fact nothing to do with their abundance, just as the scarcity of radium has nothing to do with its importance for physics. Yet neither is it in fact correct, though, that we are dealing here purely with rare, exceptional cases. Almost every economic agent is in friendship or familial relationships with a number of persons; for this reason, at least within this framework, the needs, pleasures, joys and sufferings of others are taken into consideration. Let us, however, visualize to ourselves what this means. Let us assume that someone must choose between his own pleasure and that of his wife or his brother. Let the second pleasure, *according to his imagination*, be, for example, greater than his own. Is it not then clear that the direction of his choice still is not by any means unequivocally prescribed thereby? A man can [44] sacrifice a greater pleasure for a smaller one to his wife, yet not forgo his smallest pleasure for a far larger one to his brother.

<sup>20</sup> *Ibid*, Text, p. 318. [4.A., II.1, p. 237; E.T., II, pp. 188–189].

The source of all these difficulties, if we are looking at this the right way, is simply this: that Böhm-Bawerk, peculiarly, cannot do justice to the actual phenomenon of value in the primary and genuine sense of the term, because he constantly lets it slip out of his field of view. “Certain objects,” he states at one point, “we regard as being of value for their own sake: they possess, as modern psychologists refer to it, *intrinsic value* [*Eigenwert*],” and he knows that we “prize and cherish” these “primary goods”<sup>21</sup>. This type of confession is thoroughly isolated in his work, however, and he fails to recall the phenomenon of “intrinsic value” even on the very occasions in which it would be the most natural and most necessary. In the structure of his lines of reasoning it simply stands there as something separate, without being able to come into vibrant, organic cohesion with the whole.

And really, how can one go about explaining that this idea of the primary “intrinsic value” was forgotten on the occasion of the replacement of hedonistic terminology? Would it not be more natural, instead of “pleasure” to substitute “what is wanted”, or the “highly-regarded purposes”, to have simply admitted: that *desire, honor, duty, and so forth are customarily primary goods, and that their values are primary values; that the choice between primary goods is determined by the comparison between their values; that economic value is derived from the primary, the realization of which depends upon one’s disposal over the corresponding economic good in a given situation.*

Peculiar thing! All of the just-sketched-out propositions are actually none other than the development of several of the comments made by our author himself. I cite this important observation, though of course (owing to its length) with abridgments which are of no consequence in our context. “What people love and hate . . . whether only pleasure and pain, or also other . . . things, this is . . . a matter of complete indifference. It is only important *that . . . the assessment of these more highly or lowly valued goals leave its mark on the means of economic implementation*; in this context it is the preeminent task of the economic theory of value . . . to elucidate with what goals what degree of love and esteem are associated with a given good in such a manner *that the valuation of the goal transfers to the good as its ‘goods value’*.”<sup>22</sup> And almost immediately thereupon the theme commences [45] as to how hedonistic terminology is to be replaced by “a broader and more colorless” one. One might expect that naturally things would thereby necessarily arrive at a development of the just-sketched-out conception. If one sees, however, that no trace remains of all of this, and that the outline of a “broader terminology”—this should be said with all respect for the author—just does not hold water; then should one not regard it as a striking proof that the phenomenon of primary value remains to him something altogether remote and deeply foreign? One sees that, even when guided instinctively by correct feeling, he stumbles upon it, so to speak, he nonetheless misapprehends it in its very nature, and at once, after a few steps, abandons it again.

Now it is true that it could not be perceived so easily as a mere change in terminology had one not substituted, for intensities of pleasure, the “highly regarded purposes” themselves,

<sup>21</sup> *Ibid.*, Text, p. 212. (Author’s [Böhm-Bawerk’s] emphasis). [4.A., II.1, p. 159; E.T., II, p. 121. In a footnote Böhm-Bawerk refers to the psychologist Christian von Ehrenfels, whose concept of intrinsic value appears in his “Werttheorie und Ethik,” Avenarius’s *Vierteljahrsschrift für wissenschaftliche Philosophie* (1893–1894), reprinted in Ehrenfels’s *Philosophische Schriften*, Bd. 1 (Munich 1982), pp. 23–166].

<sup>22</sup> *Ibid.*, Text, p. 317. (My emphasis.) [4.A., II.1, pp. 236–237; E.T., II, p. 128].



but rather their “*intrinsic values*”. All the bases of Böhm-Bawerk’s theory of value would be put thereby to a difficult test; for among these would belong a more correct insight into the *nature of hedonism*, namely, that it consists not solely in denying primary character to all goods other than one’s own pleasure and pain, but *even more importantly, in conferring a motivational meaning on pleasure as such, whose value, however, as a phenomenon sui generis is misapprehended and left entirely out of play.*<sup>23</sup>

#### IV Continuation. On the question of the valuation of future pleasure

The above expositions can be further illustrated by a not-uninteresting example. I am speaking here of a question from Böhm-Bawerk’s theory of the valuation of future goods.

“As I see things,” he states, “to be precise it frequently occurs that someone, faced with a choice between a current or future enjoyment or suffering, decides in favor of the lesser present happiness, although he knows perfectly well—and at the moment of the choice even expressly thinks—that the harm in the future is the greater, and hence his choice is detrimental to his welfare as a whole.”<sup>24</sup> And further: “the cause of such erroneous behavior, seems to me . . . not to lie in a shortcoming of *knowledge*, but rather in one of *will*”<sup>25</sup>. [46]

I do not see how this construction is to be reconciled with the bases of Böhm-Bawerk’s theory. For if he is correct in his pronouncement: “we posited the essence of value as being in the significance of goods for our welfare,”<sup>26</sup> it is then completely incomprehensible how the “diminished valuation” or the “underestimation”<sup>27</sup> of goods could occur from a shortcoming of will. His formula: “we *discern* the marginal utility of future goods, so to speak, in perspective diminution”<sup>28</sup> is also assigned by him, mistakenly, to the case now of interest to us,<sup>29</sup> without concern for the fact that according to his own conception it is indeed characterized by the subject “precisely *discerning*” his own welfare, “without, however, being able to resist the momentary enticement!”<sup>30</sup> If, now, the value of a good is hence estimated lower than the *correctly discerned* “increase in welfare”, then in this case one could not identify the *essence* of value as “the significance of goods for our welfare”. But it would be a countersensical thought that the essence of a thing could change from case to case; for such an entity is a non-thing, like a round square.

Now further, “We directed that the magnitude of value be measured according to the magnitude of the difference in welfare—the difference in pleasure and pain—which depends

<sup>23</sup> It is true that sometimes Böhm-Bawerk speaks of the value of sensations (for example, Excursus XI, p. 324, where he mentions “the value and the motivating force of future sensations”) [cf. 4.A., II.2, p. 236; E.T., III, p. 143]; yet since he does not know how to accord to this expression any tangible significance, and at decisive points draw from it any consequences, this linguistic usage should be regarded as a figure of speech obliging one to nothing, but indeed as such a one where the real situation inadvertently comes to the fore.

<sup>24</sup> *Op. cit.* Text, p. 447. [4.A., II.1, p. 334; E.T., II, p. 270].

<sup>25</sup> *Ibid* (Author’s emphasis).

<sup>26</sup> *Ibid.* Text, p. 331. [4.A., II.1, p. 247; E.T., II, p. 196].

<sup>27</sup> See p. 452 (Text), footnote 2. [4.A., II.1, p. 337, footnote 2; E.T., II, p. 442, endnote 22].

<sup>28</sup> *Ibid.* Text, p. 452. (My emphasis). [In the original, the entire clause is emphasized. 4.A., II.1, p. 337, E.T., II, p. 272].

<sup>29</sup> *Ibid.* Text, p. 451. [4.A., II.1, pp. 336–337; E.T., II, pp. 336–337].

<sup>30</sup> *Ibid.* Text, p. 447 (my emphasis). [4.A., II.1, pp. 333–334; E.T., II, pp. 269–270].



on the possession or non-possession of a good.”<sup>31</sup> How does it go with this proposition if the value falls below the level of a future, though at the same time clearly and distinctly perceived, intensity of pleasure? Where is the “the difference in welfare”, or, more simply, the intensity of pleasure, to be drawn from, according to which one must measure the magnitude of value? Since in this case there is no such intensity of pleasure constituting (or participating in the constitution of) the essence of value, I see no other way out than to measure the magnitude of value by the intensity of *that* pleasure which is neither preferred nor dispreferred to the future pleasure to be valued by the subject. This operation is, however, entirely different from the valuation of a pleasure according to its own intensity; for it presumes the comparison between the value to be measured and another one, which here serves as a standard, and whose nature we intend, according to Böhm-Bawerk’s directions, to visualize in the intensity of the corresponding pleasure. But the comparison again presumes that we discern the objects to be compared and have the possibility to compare them with one another. Consequently, [47] the value to be measured—also *before* the comparison, i.e., in itself—is *something which* can be greater or smaller, *which* one is able to consider and *whose* magnitude one is able to “discern”, and *which* nonetheless is identical with no sensation of pleasure and with no intensity of sensation.

Why, though, should one not compare the magnitude of this “something” directly with the magnitude of another such “something”, i.e., why should one not measure the magnitude of value with the magnitude of another value directly? Why a detour through intensities of sensations?

Every more precise indication as to the nature of the value of future goods that Böhm-Bawerk could give us here would contradict his basic conception: that it lies in the significance of goods for our welfare. So from the way I see it no other route would remain open to him than the following, which ultimately, as we shall soon see, does not lead to the goal either. He could, to be specific, claim that in the cases considered, the value of a future pleasure is measured, just as in all other cases, by its intensity, so that discussion of an underestimation of value would be simply improper. But what really happens would be this: that the subject, owing to the weakness of his will, does not allow himself to be guided by the magnitude of the value, so that his choice is made not for a greater but rather a smaller value. What interests us at this point is not the possibility of such a phenomenon itself, nor that this conception affects Böhm-Bawerk’s entire theory of motivation in its innermost core, and robs the concept of value of its unique significance for the theories of price and interest; the only thing of importance to us is that this theory also does not allow the avoidance of all difficulties, since it cannot tally with all cases of the categories of interest to us. Let us assume that it is a matter of a choice between goods (or, respectively, enjoyments), which are completely equal—one of which, however, can be had right away, though the other only after one month. Everyone will then prefer, *ceteris paribus*, a present good, for example, a present pleasure, to an equal one in the future, and indeed, even without taking into consideration the uncertainty of life, and so forth. Since in this case there can be no talk of weakness of will, Böhm-Bawerk’s entire conception becomes untenable, and thereby the hypothesis of the choice of a smaller value as well. *What a choice signifies here is to be drawn directly from the meaning of the act of choosing.* If I prefer a current pleasure

<sup>31</sup> *Ibid.*, Text, p. 331. [4.A., II.1, p. 247; E.T., II, p. 196].

to an equally large future pleasure, this then means nothing other than that I *regard the value of the deferred realization as a smaller one in comparison with that value standing immediately before me*. Since here again there exists no pleasure that could constitute the essence of this smaller value, [48] one will of necessity again arrive at the understanding that the essence of value cannot consist in the sensation of pleasure.

*Pleasure is not value, but rather merely a possible bearer of value*, and if, as is usual, it is such a bearer, *it is then a good*. To regard it as value is the same error that common parlance commits when it characterizes stocks and bonds as values.<sup>32</sup>

### V On Böhm-Bawerk's definitions of value

We have arrived at the result that Böhm-Bawerk has, in actuality, two concepts of value. The more fundamental one is hedonistic, to a certain degree precisely and clearly apprehended, and in constant use as a working tool. The other concept, which—as intrinsic value or the value of pleasure, and so forth, is also sometimes manifest—should in my opinion be interpreted as a phenomenon *sui generis*, a fact which is never sufficiently acknowledged by the author, or, respectively, appreciated. Both, however, have left their traces on his efforts at a definition of economic value.

We want first to show that his basic conception, with a consistent execution, would also bring about a definition which must be distinguished from his own in not insubstantial aspects. As a point of departure let us take his concept of value in the objective sense.

“Value in the objective sense,” states Böhm-Bawerk, “is . . . the recognized capability, in our judgment, of a good to bring about some kind of particular external objective result.”<sup>33</sup>

But one can speak of a result in a twofold sense: first, in the sense of a maximal effect possible under ideal, most favorable circumstances, and secondly, in the sense of a practical result, i.e., achievable in a given concrete situation. In the first case one can speak of an *ideal*, in the second, of a *practical*, capability. This distinction is, in my opinion, drawn entirely in the spirit of Böhm-Bawerk's theory. If for example the combustion of 1 kg of coal in a calorimeter has a heating effect of *A* calories, though in the poorest of my room-heating stoves, say, only *B*, then of course the ideal heating value of 1 kg of coal will have the magnitude of *A* calories; yet the practical heating value of the same coal will be, for me, only *B* calories.

In the face of these distinctions, it then becomes possible to establish the general concept of “value”, whose subspecies would be both the objective as well as the subjective “value”—in Böhm-Bawerk's sense. As is known, his views vacillated in this matter between [49] two extremes in that he first maintained the opinion that these are substantively foreign concepts, but then leant towards the notion that these two concepts of value are “subspecies of a unified concept of value to be constructed more universally above them.”<sup>34</sup> In his formulations relating to this, however, one misses the clarity which is otherwise characteristic of him to such a high degree, and it seems that even he himself was not entirely satisfied with them.<sup>35</sup>

<sup>32</sup> [Slutsky is alluding here to the fact that it is common parlance in German to abbreviate “Wertpapiere” (“stocks and bonds”) by “Werte” (“values”).]

<sup>33</sup> *Op. cit.* Text, p. 213. [4.A., II.1, p. 159; E.T., II, p. 122].

<sup>34</sup> *Ibid.*, Text, p. 219. [4.A., II.1, p. 164; E.T., II, p. 122].

<sup>35</sup> *Ibid.*

But if one modifies the definition of Böhm-Bawerk's objective value by conceiving of it in the sense explained above, as a practical capability, then the general "value" concept emerges, so to speak, as if by itself. By "value"—in the sense of his basic conception—one will then have to understand *the practical concrete capability, recognized in our judgment, of a means for the attainment of some particular result*. If what is meant by this result is an "external, objective" effect, then the "value" also becomes an "objective value" (heating value, nutritional value, exchange value, and so forth); if what is understood by the result, however, is a "gain in welfare" then the value becomes "subjective value"—once again, of course, in the sense of the same conception.

Now let us resume our critique. The basic character of this conception of value now lies clearly and distinctly before our eyes. Böhm-Bawerk's objective value is subjective in precisely the same sense as his subjective value, and both are in another sense equally as objective. The subjective aspect consists in the fact that by capability what is meant is not the actual (objective) [value], but rather that believed by us ("recognized in our judgment", i.e., subjective). The objective aspect is also the same—the result, i.e., an event proceeding in objective reality, conceived of as the effect of some means. That in one case it is a matter of physical, and in another, of psychic occurrences, may be very important in several regards, but both are *objective*—in the sense of a reality: no imagination, no estimation, no valuation. The one is, e.g., heating value, the other, e.g., pleasure value.

It is actually not true, though, that the difference between the two types of value is established by the distinction between the physical and the psychic. For if one somehow arrives at a way to determine the amusement effect of a comedy, or the fear-inducing effect of a scarecrow, one will then be able to speak of an objective amusement value or, respectively, fear value. And hence the boundaries between objective and subjective values [50] are, seemingly, completely obliterated. If one immerses oneself in Böhm-Bawerk's conception, in order to do justice to the lost distinction between the two types of value, one then finds, I believe, the truth, if one discerns the *sought-for differentia specifica in the primary motivating capacity of the elements taken into consideration in subjective value*. Pleasure, enjoyment, and other "welfare purposes—this term understood in the broad sense"<sup>36</sup>—thereby become the basis of economic value in the subjective sense in that they are "primary goods", which, in the spirit of the first (hedonistic) conception actually only amounts to meaning that *they possess not a derived but rather a primary motivating force*.

I have not meant to say that the definition, understood in this sense, of economic value "in the subjective sense" could have now stood up in the face of all the objections set out in the previous paragraphs. I do, however, believe that one may regard them as a more consistent realization of Böhm-Bawerk's basic conception than his own definition.

But instead of operating on the basis of a primary *motivating force*, Böhm-Bawerk explains the concept of primary goods with the stipulation that there exist goods which we regard as being of value for their own sake—which possess, "as modern psychologists refer to it, *intrinsic value*."<sup>37</sup> With the second conception having thus been granted attention in passing, Böhm-Bawerk then turns back again to his first conception, and instead of defining

<sup>36</sup> *Ibid.*, Text, p. 213. [4.A., II.1, p. 159; E.T., II, p. 121].

<sup>37</sup> *Ibid.*, Text, p. 212. (Author's emphasis) [4.A., II.1, p. 159; E.T., II, p. 121. See footnote 21 above].

economic value by way of the otherwise dispensable primary value, for whose attainment disposal over a corresponding economic good is necessary, he suppresses in his definition the concept of primary value altogether, and thus gives rise to the appearance that the concept of economic value, in his definition, requires no other concept of value, and can simply be expressed by its pertinent elements (of no value in and of themselves). With this the “subjective value” metamorphoses into an aberrant type of the “objective”, and the actual essence of value vanishes in the twinkling of an eye.

So Böhm-Bawerk’s definition of subjective value is basically modelled after the first, hedonistic conception, though not entirely consistently, and indeed in such a manner that it is masked by his second conception. As a masking cloak the expressions “*significance*” and “*welfare*”, or, respectively, “*highly regarded purposes*” are used, in which resonances of the real nature of value are clearly perceptible. [51]

In fact, among the divergent meanings of the word “significance” [*Bedeutung*] there is one that coincides with “value” in the sense of “importance” [*Wichtigkeit*] or “meaningfulness” [*Bedeutsamkeit*].<sup>38</sup> The terms: *welfare* and *to regard highly* also have no mere simple factual sense, but rather also a value-laden one. Hence Böhm-Bawerk’s definition of subjective value obtains this opalescent appearance. Though with this, the situation stands as follows: by definition, no play on the actual concept of value (*ἄξία*) is being made with the term significance; for from the exposition, for example, on pages 220–221,<sup>39</sup> it becomes entirely clear that what is meant by “significance” is simply a *relationship* of the good to human welfare, and, of course, according to Böhm-Bawerk’s terminology, one of the second level, i.e., having the character of an indispensable condition. That, however, is the meaning of the term “capability” in our formulation of Böhm-Bawerk’s definitions.

The fact that by “welfare” what is meant is not a content of value, but rather simply a content of pleasure, and that by “highly regarded purposes”, the objects serving these purposes, and not their values, are meant, is equally clear.

Thus, our thesis that Böhm-Bawerk’s definition of subjective value is formed in the sense of the first (hedonistic) conception, and presented in a form consonant with that of the second, is definitively proven. This form is a kind of camouflage which protects the construct, which is out of touch with reality, from the instinctive capacity for insight which often comes about intuitively before one even really arrives at a clear and specific understanding, for which it is able only to clear the way.

That this misleading mode of expression played the same role, even for Böhm-Bawerk himself, is demonstrated by his attempt to come up with a definition of “a unified economic value”. He arrives at the wordings: “worth [*Geltung*]<sup>40</sup> of goods in economic life”

<sup>38</sup> See, for example, the Grimms’s *Deutsches Wörterbuch*, Leipzig, 1854. “Oh, this does not mean [*bedeutet*] anything (*nihil valet*).” Wieland. (Book I, p. 1226). “And if we do not join the bridge together then the entire park will mean nothing [*nichts bedeuten*].” Goethe. (*Ibid*) “The matter is not of such significance [*von der Bedeutung*], Charlotte added, that one should therefore trouble oneself with a legal action.” Goethe. (Book I, p. 1230).

<sup>39</sup> [4.A., II.1, pp. 165–166; E.T., II, pp. 127–128].

<sup>40</sup> [Slutsky distinguishes sharply between *Geltung*, which could also be translated as “import” or “valuableness”, and *Bedeutung*, translated here as “significance”. Otherwise, *Geltung* could reasonably be translated as “significance”].

or “measure of things in economic terms (Wieser)”,<sup>41</sup> and is not very satisfied with this. “With the first attempt,” he states, “to elucidate these vague characteristics of the concept, it will, however, admittedly become evident that it is a matter, in both cases (i.e., in the cases of objective and subjective value) of a ‘worth’<sup>42</sup> of very dissimilar type, which proceeds from a very dissimilar set of facts; in brief, that it is a matter of two groups of phenomena, indeed quite starkly differentiated in their nature.”<sup>43</sup> [52] It is characteristic here that the term “worth”<sup>44</sup> again has an opalescent character, in that alongside a plain, factual sense, it also has a value-laden meaning. Differentiating from this are two Böhm-Bawerkian definitions, of which one is introduced with the term *capability*<sup>45</sup> (objective value), and the other with the term *significance*<sup>46</sup> (subjective value). From the standpoint of Böhm-Bawerk’s first conception, which is fundamental to him, both express basically the same thing, so that the definition of subjective value can also be very well expressed by the concept of capability. But it would contradict the hazy instinctual and perceptual awareness that in fact these are matters of completely different nature, and thus his hybrid definition comes about, which has to satisfy both his conscious theoretical motives—which were incorrect—as well as his instinctual perceptions—which were correct.

If, however, one considers the misleading appearance of the expository form abstractly, one can then say that Böhm-Bawerk’s theory of the nature of value (which cannot be melded with further parts of his theoretical edifice) proves itself to be, evidently, a nominalist or even (ontologically) nihilistic theory, since it overlooks and negates precisely the very phenomenon whose elucidation *should* be its true task.

To lay bare the historical roots of this error is not our concern. One will, though, allow us just this comment: that it would not be fair to make all too weighty an indictment of the great master out of this, since it is a matter of the characteristic features of an entire and protracted epoch. In the positivism of the 19th century one still finds too many traces of the rationalism and atomism of the 17th, and sometimes too little of the simple, and thus, in a good sense, positive regard for the facts in their own nature. From this, all of these perhaps too well-known theories emerged, which endeavored to reduce the irreducible and invent the original.<sup>47</sup>

Kiev, 26 December 1925

<sup>41</sup> *Op. cit.* Text, p. 219. [4.A., II.1, p. 164; E.T., II, p. 126. The German phrases read: “Geltung der Güter im Wirtschaftsleben” and “Maß der Dinge in der Wirtschaft”. The second of these is found in Friedrich von Wieser’s article “Der Geldwert und seine Veränderungen” in the *Schriften des Vereins für Socialpolitik*, vol. 132 (1909), reprinted in Friedrich A.v. Hayek (Ed.), *Gesammelte Abhandlungen* (Tübingen 1929), p. 194, along with “Maß der Dinge in der Einzelwirtschaft” (p. 196). The first phrase has not been identified in Wieser’s or Böhm-Bawerk’s writings].

<sup>42</sup> [*Geltung*].

<sup>43</sup> *Ibid.*

<sup>44</sup> [*Geltung*].

<sup>45</sup> [*Tüchtigkeit*].

<sup>46</sup> [*Bedeutung*].

<sup>47</sup> Among more recent authors, see, for example, Hans Driesch, *Wissen und Denken*. Second ed., Leipzig, 1922, pp. 116–118. [The original contains the misprint “Drishch”].