# Against the Subjective Theory of Value, Theories of Time Preference, and Voluntary Market Exchange

By Postliterate

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A common line among right-wing free marketeers is that the worker — in the exchange between a worker and a capitalist — has a larger time preference than the capitalist. This ties in nicely to their theories of voluntary market exchange, and even the subjective theory of value.

The theory goes that in a market exchange, the preferences between the buyer and seller are effectively revealed. If the seller is selling a hotdog for $5, and the buyer purchases it, it is clear without calculation that the seller valued the $5 over the hotdog, and the buyer valued the hotdog over the $5. In this sense, the buyer and the seller must tune to each other's needs and desires so that the value of the seller's products are equal to what the buyer is willing to pay for them.

To relate this to the worker and the capitalist, the theory demonstrates that, in the exchange, the worker reveals that he prefers the money which will be offered to him in his wage over the time he loses working. The capitalist reveals that he prefers the labor offered to him over the money he will have to part with to pay for the worker's wage.

To use the example of the hotdog stand from here on, there are three issues with this theory.

The first is that the desires of the consumer are not actually what is represented in this market exchange. The consumer may prefer the hotdog over the $5, but this is a very limited choice; it does not ask where the $5 came from, what it represents, and why it can only purchase 1 hotdog. The consumer is not in control of this exchange, he simply makes a choice at the tail-end of it. The consumer, after all, has no say in production per se. How much the consumer is actually willing to pay for the hotdog is not what is represented here.

The second issue is that the theory refuses to take into account the imbalance of power between the producer and the consumer. The consumer has only the power to choose between the choices provided to him; the producer has the power to choose the choices themselves. In this sense, the producer is only partially compelled to tune his production to the demand of consumers; likewise, it is only partially true consumers have control over what production takes place due to their demand. The market, then, cannot be said to be controlled by producers and consumers equally, but is instead tilted to favor the needs and wants of the producers. This means that the consumer’s wants are warped by the market more than the producer’s.

The third problem is that the theory only plays out under lab conditions. The constant focus of those who support this theory on the interactions between *individual* buyers and sellers reveals this. Once there develops in a society the need to coordinate production more advanced than that which can be facilitated by individual producers, there necessarily emerges a division of labor which erupts the theory. A system in which the means of production are owned by individuals entails that the rest of the individuals in these necessarily large firms must be without ownership of such property. Competition between producers, capital accumulation, growth, and other factors then cement this division further, giving rise to class. Once class exists, the first two issues are exacerbated.

To relate this back to the exchange between the worker and the capitalist, the worker is in a situation in which his needs and wants are largely tuned to what the market is able to offer him (to what *producers* are able to offer him), that similarly his choice is constrained to that which is offered to him, and that ultimately he may be in an exchange in which the power between the two of them are not equal — opening the door to exploitation.