A Note on the Economic Implications of Subjective Value in Berdine's talk entitled "Consciousness: Philosophy, Biology, and Physics"

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Berdine's presentation *Consciousness: Philosophy, Biology,* and *Physics* provides intriguing insight of the interrelations of biology, quantum mechanics, and their application in the philosophical debate of the existence of free will. Berdine's insights also extend to the field of economics. If his insights are correct, they provide critical implications regarding economic theory, policy, and the scope what is knowable from an economic stand point.

Berdine begins his presentation by remarking that the concept of ethics implies choosing between at least two alternatives. Berdine also asserts that, although external factors may influence choice, a fundamental component of choice is selecting among alternatives according to an individual's subjective value. An accepted principle of microeconomics is that consumers make choices among alternatives based on their subjective valuation of each alternative. Each decision facing an economic actor, according to Mises (1949), is composed of some amount of uncertainty regarding if the actor's action will leave them in a more desirable future state.The Austrian School of Economics, of which Mises is a prominent figure, holds that such actions are the fundamental subject matter of economics. However, if man's choices are predetermined by past events and are not an extension of his free will, the concept of action and much of the foundation of economic science becomes muddled.

Without accepting the concept of choice and subjective value, consumer behavior can be modeled as an exercise in constrained optimization where the consumer allocates their finite set of resources (primarily time and money) among predetermined objective measures of value to maximize their "utility function". If the actions of all individuals are predetermined, determining an optimal allocation of resources is a matter of solving a complex system of equations once all relevant information regarding objective value is obtained. However, if all actions are not predetermined, then choices and valuations of individuals contain elements of randomness which models cannot account for. Berdine holds that this randomness cannot be accounted for and could be explained as the existence of free will.

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If this randomness can be accounted for in the laws of physics, the theoretical framework of economic exchange is largely incorrect. The act of exchange would no longer involve parties seeking to better their current state of being through satisfying their subjective valuation of alternative ends. Rather, exchange would occur between automatons interacting with other automatons according to prescriptive formulas. In theory, solving these prescriptive formulas cold yield objective values for resources. An implication of this would be that economic forecasting and central planning of the economy are only limited by unattained information regarding objective exchange values from the inability to solve an enormous system of complex simultaneous equations. Given the formulas and information needed, the future state of the economy is predictable and central planners can calculate an optimal state of the economy for each time period. Under these assumptions, fully socialized economies are both attainable and more scientific than market economies.

On the contrary, if value is subjective then attempting to find objective valuation of the use and allocation of resources is unattainable. As Hayek wrote, "We know, in other words, that in his conscious decisions man classifies external stimuli in a way which we know solely from our own subjective experience of this kind of classification. We take it for granted that other men treat various things as alike or unalike just as we do, although no objective test, no knowledge of the relations of these things to other parts of the external world justifies this" (1952 p. 89). As no objective test of value for resources exists today, economists must accept that elements of their science are not explainable using the methods of the natural sciences. This is also a critical point made in Berdine's presentation. A lack of objective valuation of resources implies limitations to economic forecasting or central planning. If choice is an extension of free will and the valuation of economic goods is subjective, we would expect markets to be the most effective way to allocate resources.

In summary, the question of free will vs. determinisms has significant implications regarding how the social sciences, including economics, are conducted. Much of economic science is performed under the assumption that individuals consciously make choices according to subjective valuation of desired outcomes. Berdine's *Consciousness: Philosophy, Biology,* and *Physics* provides a challenge to some of the conclusions reached by determinism by providing a scientific argument that the occurrence of randomness in the natural sciences could provide evidence of the existence of free will. Although Berdine's presentation offers no definitive conclusions, his challenge to determinism provides critical implications regarding what economic science is and how best to conduct it.

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3. Mises L. Human Action: A Treatise on Economics. Ludwig von Mises Institute, Auburn, AL, 1949.

Response to Raymond March

I am in agreement with Raymond. I am grateful for his explanation of the connection between determinism, objective valuations and central planning on the one hand, as well as the connection between free will, subjective valuations and price discovery through market exchanges on the other hand. The determinism vs. free will debate has important implications for politics and economics as well as biology and medicine. Free will is inseparable from a subjective theory of value.

Gilbert Berdine
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