

REFERENCES

BULGARIAN SCIENTIST HAS CREATED THEORY OF MARGINAL VALUE

After publishing a number of interesting articles about the possibility to interpret the utility and value in an absolutely new way on the basis of a relativistic approach,¹ Prof. Dr. Ec .Scs. Kamen Mirkovich has presented to the scientific community a large monograph on this topic, entitled *Utility and Value*.²

The author has created a generalised theory of utility and value as categories of individual worth economic behaviour, which are among the pillars of economic science. According to Prof. Mirkovich utility and value are two forms of manifestation of produced goods' worth and that is why under "worth behaviour" he understands the individual behaviour that is related to setting up the utility and the value under given circumstances. Prof. Mirkovich has good reason to claim that modern economics is indebted to classical political economy for neglecting the theory of value and taking it as an alternative to the subjective theory of utility. At the same time, a significant number of the proponents of the concept of value as a key economic phenomenon interpret it mainly or almost as public value. They do not try to understand its wealth of layers, which appear at different levels of an economic organisation of production - from the individual, through the firm and market to the society as a whole.

According to Prof. Mirkovich the development of the economic theory is not a simple transition from one stage to another. On the contrary, the transition becomes more complicated and generalised at every stage. Each new stage is a more general economic theory and the preceding stage is only its special case, even when the newer (and the more general) theory rejects some parts of the old (and more specific) theory, which have not been able to sustain the verification of time.

The newer economic theory is a generalisation of the older one, and not separation (even gradual) from it and it is not a result of a transformation of the old into a new theory, it is not even a plain synthesis of the old theory with new economic statements. That is why, the classical economic theory is in fact only a special case of the modern economic theory. This means, of course, that the modern economic theory cannot

¹ Миркович, К. Пределна полезност и пределна стойност. – Икономическа мисъл, 2004, N 6, p. 3-22; Миркович, К. Релативистична теория на полезността и стойността. – Икономическа мисъл, 2005, N 2, p. 3-28; Миркович, К. Принаден продукт, принадлежна полезност и принадлежна стойност в релативистичната теория за полезността и стойността. – Икономическа мисъл, 2005, N 4, p. 3-24; Миркович, К. General Theory of Utility and Value. - In: Economic Thought. Sofia, Bulgarian Academy of Sciences. 2005, p. 3-24.

² Миркович, К. Полезност и стойност. "Тракия-М", София, 2005, 497 p.

be reduced to the classical one only. K. Mirkovich supports the authors, who claim that there should be convergence between economics and classical political economy. His monograph *Utility and Value* is a successful attempt for such convergence, not as equalisation, but as generalisation on a higher level.

The author's position is that economic science should address equally both the economic substance and economic phenomena, as well as the interrelations between them. Thus, he has answered the Russian scientist Y. M. Osipov, according to whom classical political economy is only a substantial science, and modern economics - only a phenomenon-logical one (see the enclosure to the monograph). The monograph holds the opinion that in such substantial-phenomenon economic science a central role should take the generalised theory of utility and value. The latter are of equal significance and complexity, incl. their importance for establishing market categories, and especially goods and labour prices. The author has found solutions to the above issues in several directions.

Firstly, he has suggested that a holistic ingredient theory of economics should be developed. The economy is a system, which processes and transforms input economic ingredients into output ones ("ingredient" means symmetrically correlated elements or sub-systems of a given system, which is entirely constructed on the basis of certain economic homeostasis). However, these ingredients should be classified at least on two levels - on a level of economic phenomena (i.e. the phenomenon level) and on a level of economic substance (the economic substance finds expression in economic phenomena). In this sense, there are phenomenal and substantial economic ingredients.

Production factors and products produced through them are presented as phenomenal economic ingredients, and more precisely, production factors are input phenomenal economic ingredients and products are output phenomenal economic ingredients. The economic system transforms production factors into products. Both are objective forms of wealth, i.e. objective economic ingredients.

The author has proven that utility and value are substantial economic ingredients. They belong precisely to the group of worth economic ingredients (representing a worth form of wealth). Value is an input substantial economic ingredient and utility is an output substantial economic ingredient. Mirkovich's thesis has turned out to be quite fruitful. At the back of the concept that the economic system processes production factors into products, lies a deeply hidden substantial statement that in fact value is processed into utility. That is why, the economic science should address in same depth both the issues of utility and value as equally important categories and develop a more general economic theory, in which the classical political economy and the modern

economics are only its special cases. *The author has good reasons to claim that he has created a more general economic theory, after the example of utility and value, where the classical theory of value and the theory of utility developed later, are found to be not alternative, but mutually complementary theories.*

Secondly, it is well known that marginal utility takes one of the central places in subjective political economy, as well as in modern economics. The author alludes to the famous statement that as the consumed quantity of a given good increases (limited to a given time period, e.g. twenty-four hours), the marginal utility per unit of the good will decrease, other things held equal, due to accelerating satisfaction of individual's needs, which level is historically and subjectively formed, i.e. this is the law of diminishing marginal utility.

Adopting the theory of marginal utility, Prof. Mirkovich has developed in the monograph the basic elements of a theory of marginal value, which is a novelty to economic science. According to this theory for a given time period (e.g. twenty-four hours) a person can produce a given quantity of a good, if s/he changes the level of intensity, other things held equal (incl. constant technology and constant worker's qualification). Each newly produced commodity (per unit of time) requires additional labour in the sense of additional intensity. This leads to the growth in the total value, created by the individual during that time period. The marginal value of a unit of a good is the increase in the total value of the entire produced quantity of that good, which is due to the increase by a unit of its quantity. The marginal value of a unit of the good grows (but within the limits of the time unit), because there is accelerating depletion of the level of individual's abilities to work, which has been historically and subjectively formed (because before being able to restore his/her labour force, a person gets tired and worn out). Thus, K. Mirkovich deduces a new law - that of increasing marginal value of goods.

Besides marginal value, the author has introduced and justified in the monograph such new terms as marginal utility of value and marginal value of utility. In addition to the existing term marginal utility of money, he proves the existence and operates with the term marginal value of money. They are equal in case of perfect competition. This means that under perfect competition, the proportion between marginal utilities of products (a rule known in the theory), as well as the proportion between their marginal values is equal to the proportion between product prices (which is justified by the author in the book for the first time). Moreover, this proves once again that utility and value are systematically on an equal level and through money they are equally manifested in products' prices.

Conclusions drawn in the book refer to individual utility and individual value. *There are reasons to consider that the theory of marginal value*

developed by Prof. Mirkovich has no less scientific importance than that of marginal utility, developed by the Austrian school.

Thirdly, an absolutely original relativistic theory of utility and value has been created in the monograph. Individual utility and individual value are measured not in absolute, but in relative units. Proportions between the relative individual utilities (between the relative individual values, respectively) for a certain individual are equal to the proportions between the respective absolute individual utilities (respective absolute individual values). Absolute individual utility and absolute individual value are not comparable with each other, because they are measured in different units. In contrast to these, in the relativistic theory, proposed by K. Mirkovich, the relative individual utility and the relative individual value of a certain individual are comparable with one another. On this basis, starting positions of a common theory of worth economic behaviour of the individual (as a producer and consumer of value and utility) have been developed in the monograph.

Significant contribution to explaining many economic phenomena has the statement, proven in the monograph by K. Mirkovich, that relative utility and relative value units of an economically-efficient individual are constructed on the base of two equilibrium points of his worth economic behaviour - a point of normal and a point of rational equilibrium, where there is equilibrium between the relative individual utility and the relative individual value of a product. This is explained by the double intersection between the curve of relative individual total utility (upward going at decelerated rates because of the law of diminishing marginal utility) and the curve of relative individual total value (downward going at accelerated rates because of the law of increasing marginal value). K. Mirkovich has come to quite an interesting point that the above two curves do not start at the co-ordinate inception. This allows him to introduce an absolutely new term - economic singularity. In the analyses of individual relative total utility, individual relative marginal utilities, individual relative total value and individual relative marginal values, the same mathematical tools could be used, which are applied by the modern economics in the analyses of their respective absolute values.

Fourthly, it is found out that in the area between the two points of worth economic equilibrium of the individual, there is no equality between relative individual utility and relative individual value, as well as between the product produced and the product utilised by the individual. This confirms the famous statement of the classical political economy, that a person consumes a product (this is the indispensable product), which is less than the produced one. The difference between the two is the surplus product. Therefore, the relative value of the produced product is higher than that of the indispensable one. This difference is the surplus product value, known in the classical political economy too (which takes the form of surplus

(added) value in developed market economy. Thus, the book has justified the thesis that modern economics is compatible with the theory of surplus product and surplus value, developed by Karl Marx. By a special scheme the author has proven that Marx's thesis of surplus value is only an isolated case of the curvilinear dependence related to the formation of relative surplus value, proposed in the book. Moreover, K. Mirkovich has come to the conclusion that a term for surplus utility (represented as relative surplus utility) should be introduced too - it is the difference between the utility of the produced product and the utility of the indispensable product. Marginal surplus value and marginal surplus utility, terms introduced in the book, are the differential increases in surplus value and surplus utility, caused by a unit growth in the product.

Fifthly, based on the analysis of relative individual utility, relative individual value and individual worth economic behaviour, Prof. Mirkovich has deduced the product demand and supply curves on the product market, well-known in microeconomics, as well as the labour supply curve on the labour market. However, it is not done by the approach used up to date (based only on marginal utility), but by combining utility and value relations. The main objective of this part of the study is to justify the way in which individual supply and demand curves are set up. The ultimate aim of the study is to reach such point, where the traditional microeconomic theory continues analysis further. The author states his arguments and persuades us that present-day microeconomics lies on not quite clear foundations. Microeconomic analysis should begin from deeper layers of production and consumption, value and utility, which is almost a knowledge gap now. The research work is an impressive successful attempt to fill in this gap and moreover, the conclusions of existing microeconomic theory are not rejected, but confirmed. The theory of utility and value by K. Mirkovich is a contribution to the Bulgarian (and not only Bulgarian economic science). That is why, it is necessary certain statements of it to be brought to the knowledge of public on an international level and to be included in microeconomics curricula of higher school.

In some parts of the monograph Prof. Mirkovich expresses an opinion that there are also public utility and public value, but they are not discussed in the book, as they are not its subject. However, one can impugn the existence of such term and it would have been useful, if the author had discussed this issue in more detail. From a technical point of view, I find it unnecessary to use everywhere in the text the adjective "individual" together with the terms utility and value, although the author's intention is to differentiate them in advance from public utility and public value.

The note of the author that utility and value are reproduction categories is quite interesting. It means that all production factors (and especially labour and capital) are involved in their formation. In the monograph the role of only one

factor - labour has been taken into account. The author leaves to his future work the analysis of the involvement of other factors (capital in particular) in the formation of utility and value. In his new book Prof. Mirkovich once again abides by his approach to translate in English the economic terms³, which is a precondition for an extended use of the publication. He is aware that some cases may be ambiguous and apologises for any inaccuracy, showing perhaps unnecessary cautiousness.

Prof. Mirkovich with his new non-traditional and challenging monographic publication opens a new field for scientific discussions and research work in economics, something that the scientific community should judge on its merits. It is an attempt for paradigmatic synthesis, because it contains in "dialectical taken mode" (Hegel) theoretical statements from different economic paradigms and it is a step forward to searching the new economic paradigm.

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³ In the period 2000-2003 the author published three large monographs on economic theory (the total volume of the three is about 8000 standard pages): *Миркович, К.* Международна икономика. "Тракия-М", Sofia, 2000, 1008 p.; *Миркович, К.* Макроикономика. "Тракия-М", Sofia, 2001, 1104 p.; *Миркович, К.* Микроикономика. "Тракия-М", Sofia, 2003, 1126 p. He has explained and used above 5000 terms. About half of them are used by the author for the first time and are translated from Bulgarian into English by him. What is more important is that the above books contain a number of monographic studies by K. Mirkovich with scientific contributions acknowledged by the scientific community. *Thus, he cherishes the academic tradition monographic works be included in publications that are used by students.*