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Title: Externalities and value theory

Abstract

Positive externalities are benefits that are not mediated by (competitive) prices. For example, an individual buying an iPhone which has Apple's App Store and iTunes Store as default applications will increase the usefulness of these applications to content providers and application developers as it increases the number of potential customers. Despite such contribution, the buyer does not get anything in return. Knowledge is also considered as a source of positive externalities, especially in the case of spillover. Samsung could not have been so successful without Apple having endeavoured to establish smartphone as a new category of electronic devices. However, not surprisingly, Apple has not been paid for its contribution to Samsung's success. In mainstream economics, a positive externality, in competitive equilibrium setting, is equal to output with no cost (or output with price higher than cost). Where there is a positive externality, somebody gets more than his or her contribution. Hence, if permanent source(s) of externalities are known and if there is a mechanism in place by which such source(s) grow gradually, so does final output - economic growth. In contrast, in Marx's value theory, externalities don't play such a role, simply because value theory is economics of value whereas mainstream economics is economics of use value. In short, more output does not always translate into more value. Economic growth (i.e. more output, more use-value) in mainstream economics is a very different concept from capital accumulation (i.e. more value) Any Marxist attempts to justify redistribution of wealth based on the notion of externalities are therefore doomed to fail.