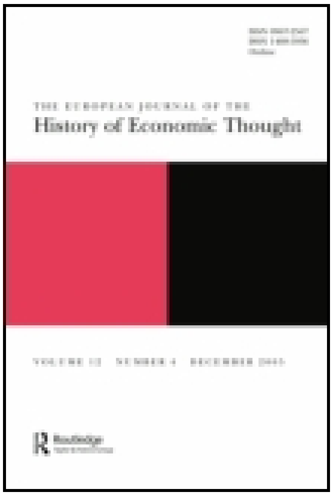

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The social construction of value: value theories and John Locke's framework of qualities

Wilfred Dolfsma[1]

Value theory is central to economics. Economics is, after all, about explaining why some object or situation is worth striving for, why something is preferred to so many other things. Few economists would deny the centrality of value theory for economics. Some economists have indeed denied value theory a place in economics, but by doing so they 'close off the option of any specific economic theory' (Mirowski 1990: 702). It should therefore not come as a surprise that, whenever an important change in economic theory has taken place, value theory has always been the first and most important aspect of economic theory to be questioned and subsequently to be replaced. Especially in the early days of economics as a science, the concept of value was first among the topics considered (see, for instance, the textbook by Ekelund and Hébert 1983). Several ways of explaining value have been proposed, chief among which are the labour theory of value and the marginal utility theory of value. The first was found to be lacking and was replaced by the latter. This occurred at the end of the nineteenth century (the year of 1871 is often said to be the watershed) by economists like Stanley Jevons and Carl Menger. The latter theory, however, also fails to provide an adequate explanation for the way in which value comes about, as Robert Heilbroner (1988) convincingly argues. Economics is thus left with a 'Problem of Value'. What is missing is the interaction between people, or the sociological aspect.

In general the development of value theory in the history of economic thought can be seen in the light of John Locke's (1691b) framework of qualities, as presented in his *Essay Concerning Human Understanding* (cf. McDowell 1985). Like in any classifaction, there may be scholars who

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present difficulties for the scheme because it is hard to classify them. I will not dwell on this point too long, however, since this is not the main thrust of the paper. Until the Marginalist revolution in the 1870s, the value of an object was, broadly speaking, supposed to inhere in objects. The value at which something was exchanged was thought to be independent of the people who needed or wanted the particular object. Either God had given an object value, or human labour (and perhaps capital) had given it its worth. The Marginalists made a radical break with this way of thinking. Their idea was that it is human preferences that give an object its value. In line with modernist thinking, human wants were and are believed to be formed in isolation from other people. Economic man is autonomous and independent, and he can decide for himself what he likes.

That there are problems with this Marginalist, value-as-secondary-quality approach is reflected in the fact that value theory is hardly ever debated in present-day economics. When you consult an economic dictionary (where the state of the art in economics is introduced to the layman), you will find that value is simply equated with price. When the perception of how value is constituted in the light of the Marginalists it is still unsatisfactory – i.e. when neither the primary, nor the secondary qualities of Locke suffice – how then to explain its current appeal to many, if not most, economists? How to explain that some attempts in the history of economic thought to think of value as a tertiary quality – like those of B. M. Anderson and J. B. Clark – failed?

There are other ways in which the many different value theories have been classified. Although I owe many insights to Robert Heilbroner (1988), I do not want to adopt his system of classification. Both Heilbroner and I, however, end up arguing for an economic theory of value that is historical and makes due allowance for the institutions in society. Amariglio's project, in particular in his (1988) paper, was to analyse the development of economic theories of value from the perspective of the French philosopher Michel Foucault. Not only do I choose not to pay much attention to these other classifications, the reader will also find that I have not gone into the many intricacies of the different value theories themselves.

1. John Locke's primary and secondary qualities

According to Locke (1691b) primary qualities inhere in an object. Primary qualities are 'utterly inseparable from the body [of an object], in what state soever it be . . . and the mind finds [them] inseparable from every particle of matter' (1691b: 58). Locke thinks of solidity, extension, figure and mobility when talking about primary qualities; every physical object, in however small a particle, has these properties. The properties can not be separated from the object. Anybody will be able to observe the qualities correctly. People are not deluded.

Secondary qualities, however, are 'produced in us' (1691b: 63) by the primary qualities. We ourselves ascribe certain qualities to objects on the basis of the primary qualities these objects have. We, fallible human beings, ascribe such qualities as colour, sounds, tastes and the like to certain objects, but 'there is no discoverable connexion between any secondary quality and those primary qualities that it depends on' (1691b: 283). McDowell has eloquently characterized secondary qualities as understood by John Locke:

> a secondary quality is a property the ascription of which to an object is not adequately understood except as true, if it is true, in virtue of the object's disposition to present a certain sort of perceptual appearance: specifically an appearance characterizable by using a word for the property itself to say how the object perceptually appears.
> (McDowell 1985: 111)

Secondary qualities can be delusive, while knowledge of the primary qualities is of the certain type. The famous example given by Locke is the pole that, before it is brought in water, seems straight, whereas it later appears to have a kink. People are or may be deluded by these appearances.

The distinction I propose here between secondary and 'tertiary' qualities is related to or informed by the way in which economists perceive of preferences. Most – neoclassical – economists take preferences as given, unchanging and the same for all economic men (cf. Stigler and Becker 1977). I propose that if one perceived of preferences as continuously changing, ambiguous and dissimilar for individuals because of the complex and uncertain social environment they are in, we should talk of value as a tertiary quality.

In principle, there is no reason for Locke's secondary qualities to be seen in the same way as a neoclassical economist would look at preferences: perception, like valuation, need not be thought of by Lockeans as given and unchanging. In fact, the formation of habits does influence an individual's perception (Locke 1691b: 68). Locke's position is similar to the position taken by many mainstream economists (cf. Lucas 1987): learning does influence perception or valuation, but when people have matured – and we only talk of mature human beings – they will not change any more. Nowhere in his *Essay* does Locke hint at the possibility that the perception, by mature men, of the qualities of an object might be socially formed. I would think that such a view is incompatible with Locke's philosophical position. Suggesting that what we see, feel, or in any other way sense, depends on our social environment and upbringing, does not accord with Locke's perspective. The senses of humans are all the same, are unchanging, and they are given, once people have grown up. Powers in objects, based on their primary qualities, are the explanation for the different sensations in different states of the world (see the example of the pole) people get from being in contact (seeing, feeling, etc.) with particular objects.

2. Value as a primary quality

The quest to found value on, for instance, the amount of labour (production factors) incorporated in an object can now be viewed as an attempt to treat the value of an object as a primary quality. Value inheres in the object because God or man has instilled it. The value of an object is (like) a primary quality that under no circumstances parts from it. I will concentrate my attention on the best-known economic theory, which conceives of value as if it were a primary quality: the labour theory of value.[2]

The labour theory of value can be seen as one way of trying to find an objective basis on which the concept of value could rest. Labour was seen as the only production factor that adds to the value of something, and thereby to the wealth of nations. Smith is the best-known protagonist of this view. A famous and often quoted statement by Smith catches the main thrust of his argument:

> In that early and rude state of society which precedes both the accumulation of stock and the appropriation of land, the proportion between the quantities of labour necessary for acquiring different objects seems to be the only circumstances which can afford any rule for exchanging them for one another. If among a nation of hunters, for example, it usually costs twice the labour to kill a beaver which it does to kill a deer, one beaver should naturally exchange for or be worth two deer. It is natural that what is usually the produce of two days' or two hours' labour, should be worth double of what is usually the produce of one day's or one hour's labour.
>
> (Smith 1980: I.vi.1)

Clearly, Smith's theory of what constitutes value is related to Locke's views as expressed in his *Second Treatise* (1690) and his *Essay* (1691b). When Smith says that 'the property which every man has in his own labour, as it is the original foundation of all other property, so it is the most sacred and inviolable', his views on property are the same as Locke's. 'Whatever then [man] removes out of the state that nature hath provided, and left it in, he hath mixed his *labour* with, and joined to it something that is his own, and thereby makes it his property' (Locke 1690: 19, italics in original). Locke continues on the same page to say that: 'it is the taking any part of what is common, and removing it out of the state nature leaves it in, which begins the property; without which the common is of no use'. If there is one thing on which Smith and Locke seem to agree, it is that only labour gives something its value: 'for it is *labour* indeed that *puts the difference of value* on every thing' (Locke 1690: 25, italics in original).[3]

Smith (1981: I.iv.13) distinguishes between value in use and value in exchange, setting the example for latter-day economists. Only (value in) exchange is considered a worthy subject of analysis. This is an important distinction in economics, but I will not have anything more to say about it here. I will only refer to Heilbroner (1988: 114) to say that the term 'use value' may be very deluding.

Heilbroner discusses three problems with the labour theory of value. Of two of the problems he says that they are minor objections, while the last one is fundamental. Smith's argument is intuitively appealing, but fails in its logic. In his writings, and in the extensive statement quoted earlier, Smith assumes that people show maximizing behaviour. Whenever people do not show such behaviour and society does not operate in an efficient manner, his argument breaks down. Furthermore, disutility of labour is assumed. People do not take pleasure or pride in their work; work does not give pleasure in and of itself. More importantly, however, 'the nature of labor itself and the manner in which it can endow an object with properties' is not clear. How does labour impart a 'substance' to commodities, and how does one measure this? There is a conceptual problem here, Heilbroner argues. The problem hinges on the question of how to compare the value of qualitatively different types of labour. How to add up apples and pears? The only way out of this problem may be to add up the wages of the different types of labour. Wages (like rents and interest) are, however, values or prices themselves, so the argument becomes a circular one. Smith seems to be ambiguous himself about how to perceive of value. Frank (1937) accuses Smith of not being clear as to what labour does or is: does it cause value to arise, or is it a measure of value? Ricardo has criticized Smith in a similar way.

Marx's theory of value was not a labour theory of value to be compared with those of Smith and Ricardo. Heilbroner (1988: 120) says that it is often mistakenly believed to be so. Marx's main argument concerning the constitution of value is that whenever labour creates commodities for the purpose of exchanging them with others, it makes labour an abstract activity. Because the commodities are exchanged, the socially necessary labour expended for their production is compared to the labour expended for the production of other goods. For Marx, abstract, not concrete, labour is the substance that gives value to objects (Heilbroner 1988: 24-5). How exactly does abstract labour do this? And what differentiates abstract from concrete labour?

According to Heilbroner the questions faced by both the labour theory of value in the vein of Smith, and the Marxian approach, are not answered.

To this day they have not been answered in a convincing way – probably they cannot be answered. Therefore, the advent of Marginalist economics seems natural in a way.

3. Value as a secondary quality

Marginalists argue that people derive utility (pleasure and pain) from the consumption of an object. According to their argument, it is the utility derived from consuming the marginal item that determines the value of the objects exchanged. Value thus depends on the impact the object makes on the people exchanging them (in the market, presumably). What the value of the object turns out to be thus depends on the individual who is confronted with it. The individual ascribes value to an object because he has certain wants or preferences. The object has certain primary qualities, for sure, but there is no unambiguous relation between these and the value ascribed to the object. Potatoes satisfy a human being's wants in terms of nutrition, but so would other foodstuffs; the relation between potatoes and their value for a person is not 'adequately understood'. The idea in this line of reasoning is, however, that objects have a certain disposition to present an appearance, for example the appearance of satisfying certain human wants (e.g. hunger).

Being dissatisfied with the objectivist account of value, the marginalists looked for a different approach. Menger, Jevons, Böhm-Bawerk and also Von Mises were leading figures. Their methodological point of departure is the individual. Whenever the consumption (defined in a broad sense) of something gives psychological utility to a person, the particular object (broadly defined) is said to be valuable to the person. Verspaaij (1929) is, for instance, very outspoken about this. To him economic value is always subjective (1929: 6) and the term should only be used when explicitly refering to concrete, subjective, individual utility (1929: 15).

The argument runs something like this: people have a fixed, consistent, transitive order of preferences that is known by themselves. By consuming goods (defined broadly) they get a 'shot' of utility. People try, given the constraints they face (primarily their budget constraint), to maximize the utility they will draw from consumption.[4] For any good that is exchanged there is a continuum of people who would like to have the good with differing intensity. The people who want to part with the good are similarly distributed with regard to the eagerness with which they are willing to exchange the good. These two sides of the picture are depicted by the well-known Supply and Demand curves. The market is in equilibrium at the point where the two curves intersect. When there are no changes in the relevant circumstances, the equilibrium will remain like this because everybody has all the relevant information.

Modern, mainstream, neoclassical economics adopts a similar position with some minor alterations. These alterations or modifications have been introduced to make the presuppositions eligible for mathematico-analytical work. Debreu (1973) and Parchure (1989), for example, approach the theory of value from this perspective. The people who figure in this theory are like Leibniz's monads; they have no relations with each other, their behaviour is not influenced by what others do or want. In this view, it is hard to see how the system will come to a resting point, to an equilibrium. If nothing is known 'but their utility maps and their maximizing propensity' (Heilbroner 1988: 127), how can a situation of general equilibrium be specified? Given the objective of neoclassical economics to specify the conditions for equilibria, this objection, if valid, would be a serious blow. Secondly, the motivation of people in neoclassical economic theory is often said not to be realistic, leaving all kinds of relevant behaviour out of scope. Producers are also motivated by mere profits and not what they allow them to do (Heilbroner 1988: 129),[5] moral aspects play a role in the decision making of people (Hirschman 1985; Etzioni 1988), and emotions further complicate matters (Frank 1988). Conceiving of value as a primary or as a secondary quality does not explain how it is constructed in social contexts.[6]

4. Value as a tertiary quality

Theories of value of the secondary and tertiary qualities kind take an individual's preferences as a point of departure. As explained earlier in the text, preferences are not perceived in the same way. There are at least three ways in which the individual's preferences have been seen as influenced or determined by his social environment. The first and the second are by John Bates Clark and Benjamin Andersen. In recent times Philip Mirowski has worked on what could be seen as a social value theory.[7]

Around and after the turn of the last century, some then influential scholars argued for value as a social construct. J.B. Clark (1886) and B.M. Anderson (1911) need to be mentioned here. About the kind of value theory Anderson proposes, he says himself that in it 'values are tertiary qualities' (Anderson 1911: 96). These two authors are proponents of a larger group of scholars who argued for a different kind of economic theory of value. By arguing for such a changed theory of value, they argue for a different economic theory. Clark and Anderson take positions that differ from each other in important respects, however. By briefly recounting their arguments, the question that is raised in the next paragraph ('Why did a social value theory not take root then and why might it now?') might be more fruitfully addressed.

'A man is not independent. So close is the relation between him and others of his race [*sic*] that his conduct is dictated and his nature transformed by it' (Clark 1886: 37). A belief in social determinism, conjoined with the, in that time in academia, strongly felt influence of Herbert Spencer's social darwinism led Clark to this view. Thus, J. B. Clark in his *Philosophy of Wealth* (1886) sees society as a 'social organism', or as a 'social body'. In this perspective the view that 'it is society, not the individual, that makes the estimate of utility which constitutes a social or market valuation' (1886: 83) seems a logical step. 'Value is a quantitative measure of utility', Clark (1886: 74) adds. Value-in-exchange is thus the measure of utility that is estimated by society. Society as a whole seems to be making a cost–benefit analysis to determine what will yield the highest utility. Society is studied in an analogous way as individual man. Clark now faces the famous dichotomy in economic theory between value-in-exchange and value-in-use. 'A measure of utility made by an individual gives value in use' (1886: 81). Given Clark's social determinism, however, it would seem that value-in-use is identical to value-in-exchange; man's behaviour is dictated by his relations to other people of his social group (his 'race').

Anderson argues for a social value, but does not consider the social utility idea that J. B. Clark proposed to be useful (Anderson 1911: 9). The relation between the individual and the group is more complex than Clark and others suggest, according to Anderson. Only when all men are 'normal' and have equal wealth (nor any other basis for differences in power), is the marginal utility of a product to an individual equal to its (social) value (1911: 31). On the same page (1911: 31) Anderson seems to imply that such circumstances will not occur: 'marginal utility to an individual is not the same as value'. Marginal utility of a product to society is a useless, because too general, concept (1911: 32). Because price refers to a social level of inquiry, and marginal utility to the individual level, the latter does not determine the former. Marginal utility only 'has something to do' with price (1911: 33).

Value emanates from the human mind, Anderson (1911: 45) argues in line with the Classical economists, but the human mind has a 'vital and organic union with the social milieu'. . . . 'The individual is [not] an isolated monad' (1911: 64). Human volition needs to be studied (1911: 198), but individual motives alone do not suffice to explain economic value (1911: 199). 'Ends, aims, purposes, desires of many men, mutually interacting and mutually determining each other, take tangible, determinate shape, as economic values' (1911: 199). Contrary to Clark's views, therefore, Anderson's argument hinges to a large degree on psychological notions. Social psychology is what we would nowadays call his approach, I would say.

Anderson's work is suggestive, though incomplete as a theory of value. Mirowski (1990: 705-6), therefore, states that Anderson had great difficulty specifying what 'value' is and how it is constituted.

'Value, as everyone knows, is about prices; but it is also about much more than prices. It analyzes fundamental beliefs concerning why seemingly diverse objects and human endeavours are comparable; and even more outlandishly, how such comparisons can be reduced to a single common denominator of *number*' (Mirowski 1990: 695, italics in original). Mirowski argues that a study of the institutions that bring such valuations about is needed; 'to trace precisely how these curious conventions come about, and how they are enforced' (1990: 696). Institutions conserve the value of commodities in a market system, institutions make the environment stable and invariant to some degree. Social value theory, according to Mirowski, needs to allow for mathematics; the socially constructed attributes of commodities are to be amenable to mathematical (1990: 709) or logical treatment (1991).[8] Thus, the mathematics of value theory is socially embedded. Next what is needed is a 'transpersonal index of gain and loss' (Mirowski 1990: 711). Money serves this purpose, according to Mirowski. Therefore, Mirowski's conclusion is that 'in a social theory of value money is the embodiment of value; but precisely because it is socially instituted, its invariance cannot be predicated on any "natural" grounds, and must continually be shored up and reconstituted by further social institutions' (1990: 712). The institutions of the market, including the institution of money, are lasting but in no way permanent, inevitable, or deterministic, Mirowski observes (1991: 578). When he means by this, first, that the realm of the market economy is not fixed, but can expand and contract, and, second, that money is not necessarily the only way in which value is expressed, I agree (see Dolfsma 1996b). An obvious example is the way in which children are valued. Zelizer (1985) showed that in the Western world not too long ago, children were often valued in terms of money. In present times most people would be abhored by the mere thought of cost–benefit analyses when it comes to children. Other examples of items that one could buy and sell in different times and places but that are 'beyond the measure of money' presently – and vice versa – abound.

5. Why did social value theory not take root then, and why might it now?

The sense in which social value theory is taken here is not the same sense as it is taken by, for instance, Marc Tool. In his *Essays in Social Value Theory*, Tool (1986) takes a meticulous looks at the most influential economic theories today, to see whether they are normative in any way. That is, he looks at whether or not economic theories prescribe what should be done on the basis of some ideal type of society. Tool argues that economic theory cannot be neutral in this sense, and should thus not purport to be neutral. Economic theory should then only be neutral in such a way that it is instrumental to 'the continuity of human life and the non-invidious re-creation of community through the instrumental use of knowledge'. (Tool 1986: 50). Ridley (1983) has made a similar point about the normative sides to the avowedly neutral mainstream of economic theory.

Why did social value theory, which had some influence around and after the turn of the last century, dwindle away, and why does it seem to be a stronger and lasting theory now? Part of the answer is, of course, related to the matter of what time frame is used. At the time of Clark's and Anderson's writings, social value theory seemed strong and lasting, too. Appearances may deceive here, but I will nevertheless attempt to provice an explanation. The three reasons I offer in this section will probably not explain the phenomena I am interested in in its entirety.

American institutionalists, like Thorstein Veblen and John R. Commons,[9] have perhaps been the only ones to try to elaborate the idea that (e)valuation is not individual but intrinsically social. Their research programme did not take root for several reasons. First, institutional economics at that time was, it seems to me, associated with Social Darwinism. Clark is to blame for this, of course, since Veblen for instance turned Social Darwinism on its head (see Mirowski 1990: 703-5). For several reasons, both political and theoretical, Social Darwinism was evicted from the intellectual or theoretical stage after a short period of time. Social Darwinism was able to justify circumstances of blatant exploitation; it was, more general, a defence of the status quo. Furthermore, how could social entities for example have preferences? With the water of Social Darwinism, the baby (social value theory) was thrown away as well. Joseph Schumpeter has put it thus: 'society as such, having no brains or nerves in a physical sense, cannot feel wants and has not, therefore, utility curves like those of individuals' (1951: 3). 'Binary-thinking' has long plagued economic theories of value. If the social environment does not strictly determine the individual's preferences such that we can talk of a 'social organism', the argument seems to have gone, individuals must be completely autonomous and free of influence from their social environment. There are, of course, positions between these two extremes. Taking any one of these positions would imply a social value theory.

A second important reason for the submergence of institutional economics was the idea that it was thought to be a-rational or even anti-theoretical, taking an active political stance and strongly advocating the method of case-studies. All of this, it must be added, in a time when theory and science were only thus called when they tried to mirror the natural sciences. A mechanical metaphor has informed economic thinking during most of the time that has elapsed since the last turn of the century. In the natural sciences, mathematics is extensively used on 'objective facts'. Norms or political considerations do not enter here, so it was thought.[10] Mirowski (1990: 706) says that 'the institutional program ran aground on the reef of relativism'. Perceiving of value as socially constructed was seen as far too relativistic. In any case, an institutional or social economics went against the predominant current in the economics of this century. Colander (1996) observes that the neoclassical framework provides people with the simple structure to organize principles in their mind. 'The lure of neoclassical economics is the same lure that religion offers – a relatively simple way of organizing one's understanding of an otherwise almost hopeless chaos' (Colander 1996). Yet, the structure allowed for very complicated mathematics as well, making it attractive to the intelligent students too. A related practical reason is that the large influx of students at the institutes of higher education made neoclassical economics more attractive. Neoclassical economics can produce clear-cut answers that fit into a multiple-choice format.

When quantum mechanics was discussed in physics in the 1920s and 1930s, the mechanical metaphor should have lost much of its attractiveness to economists one would tend to think. The contrary happened, however. After the Second World War this metaphor began to assert an even stronger influence than it had earlier. It remained the most important – if not the only – world view in many of the social sciences and certainly so in economics. Mirowski has made this point in many publications (e.g. 1989). The combination of, among others, the fact that knowledge of quantum mechanics eventually trickled down to economists and Mirowski's project, made the mechanistic metaphor much less attractive. Other approaches to economics were considered to be feasible again. The evidence of this may be the current interest in institutional and evolutionary theory in economics.

Not only did the predominant example for the sciences – the natural sciences – preclude a social value theory in economics, the methodological canons were not favourable to its advent and acceptance either. Truth is what science is or should be after, and this is done by observing 'facts' and thus discovering the underlying structures that can be found in 'reality'. Such a naive logical-positivist position will not find many defenders nowadays in economic methodology, although it may find a large but decreasing number of defenders in economics. Arguments and findings that philosophers make in methodological discussions trickle down slowly. Facts are never simply 'there' to be observed by the impartial scientist: they are constructed by scientists in a social environment. Furthermore, people and scientists are not only persuaded by logical arguments; sociological and rhetorical dimensions need to be added to the study of economic men and scientists alike. Facts need to be interpreted, and interpretation implies that relations with other aspects of reality or the (social) environment have to be taken into account. At this point the area of epistemology is entered. Perceiving an individual as interpreting his environment implies taking an epistemological position that departs from the favoured one in economics. This is especially so when the relations individuals interpret cannot always be articulated, when they partly remain tacit. The epistemological position this implies is in line with the one advocated by Michael Polanyi in his *Tacit Dimension* (1966). Again, Mirowski (1995) has pointed out how differing views on epistemological matters lead to different economic theories or views on the economy. Mirowski does so by comparing how two eminent economists – Friedrich Hayek and Michael Polanyi – over the years come to take differing epistemological positions. Their diverging epistemological positions have important implications for the economic theory they hold. Implicit in his account is, I believe, the idea that the two economists represent different schools in economics. Hayek represents the neoclassical (-ly related) school, whereas Polanyi stands for an institutional or a hermeneutic approach to economics.

The concept of 'truth' then becomes a more problematic one than it used to be. Thinking of 'truth' as coherence with the views held by the relevant peer group of experts, instead of as correspondence to the real world, seems an almost natural position to have. Whether or not one further moves towards a postmodern stance in saying that 'truth' does not matter, is not relevant in the context of this paper. What is relevant is that the methodology of institutional or social economics can no longer be condemned off-hand. The 'old' American institutional economics finds much of its inspiration in the philosophical tradition of pragmatic thought (with philosophers like Charles Saunders Peirce and John Dewey being prominent figures), which is close to the philosophical tradition of hermeneutics (see Mirowski 1991) and rhetorics. See Wilber and Harrison (1978), for example, who give 'the methodological basis for institutional economics', but see Mirowski (1987) as well. Pragmatism, hermeneutics, and rhetorics are alien to a logical-positivist approach.

6. The social construction of value[11]

The argument thus far suggests that there is something wrong with the conceptions of value that have prominently featured in economics. Value needs to be conceived as a social construct, a tertiary quality. Especially in the art world, this is apparent (see Klamer 1996).

Value is constructed in a social environment. '[V]alue cannot be grounded in or deduced from the nature of the commodity itself: it cannot be collapsed to a problem of arbitrarily picking a *numeraire*' (Mirowski 1991: 569, italics in original). That is the thesis that I submit in this paper, following Mirowski. Taking such a position implies rejecting the Lockean framework altogether, or adding a third quality to it.

Alfred Marshall sets the stage for economic theory that perceives of value as a secondary quality. Value is a relation says Marshall (1920) on page 61 in his magnum opus; '[t]he term value is relative and expresses the relationship between two things at a particular place and time'. He rests his case at this point, just as it is becoming interesting. For: how is this relation established? Does the relation change? And if the relation can change, how does the relation change? Is the relationship strictly determined by the qualities of the objects; is value a relation of the primary quality sort? If not, do people create the relationship? If people create the relationships, how is this done?

Dolfsma and Klamer (forthcoming) argue that a social science should conceive of people as inseparable from their social environment. People's resources, knowledge and skills have no use without, and can therefore not be separated from, their relations to the social environment. People themselves have, over the years, made these relations. Often, however, it may turn out to be difficult or impossible to change them at will. A way in which such an analysis of social phenomena in terms of relations might become more familiar to economists, is to observe that relations within different cultures or social environments show many similarities. Hence, they can be called institutions in the sense in which Walter Neale (1987) characterizes them.[12]

According to Dewey (1939, 1949), value is not something that is intrinsic in objects, or that people privately impose on objects. 'All conduct that is not simply blindly impulsive or mechanically routine seems to involve valuation' (Dewey 1939: 3). Valuing involves the selection or rejection of certain things (Dewey 1949: 66). Like many other acts or kinds of behaviour, what is selected or rejected depends on the social environment. A social environment 'determines' what people see and how they see it.[13] Enter semiotics and hermeneutics. 'In any valuation, the personal and the social are endlessly layered between acts of interpretation and signification' (Mirowski 1990: 705). The human intellect thus creates the relations between men and the objects that are valued, partly based on the social environment it happens to be in.

> Only if the 'relation' in question is understood to be plural (since involving a variety of space-time connections of different things) not singular and it is also definitely

observed that the relations in questions are across spaces, times, things, and persons, will 'relational' theory lead to any commonly agreed-upon conclusion.

(Dewey 1949: 69)

Thus, '[v]aluing is not a special isolated type of act performed by a peculiar of unique agent, under conditions so unique that valuing and values can be understood in isolation' (Dewey 1949: 68). For a social science to conceive of these relations, it seems it needs to take the point of view that allows for categories or concepts that transcend the level of the individual. It further seems that it has to allow for people's interpretation of their environment, which implies a specific epistemological position. As argued earlier, what Hodgson (1993) calls 'old' institutional economics meets these requirements.

7. Concluding remarks

What I have argued here goes against Schumpeter's dictum that '[f]or theory it is irrelevant why people demand certain goods' (1951: 4, italics in original). Leaving out the why-question arbitrarily constrains the economist, and confines him to a rather narrow field of research. Leaving out the why-question also means having no adequate value theory. Introducing the why-question, however, implies entering a field of research that economists thus far have been able to disregard or steer clear from. It is the field of the social formation of preferences. It further implies that the 'field' of economics is broadened in the sense in which Buchanan (1987) would like it.

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Notes

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2 Amariglio (1988) points to sixteenth-century economists, like Bodin, Davanzatti, Gresham, Copernicus, Malestroit, who conceived of value as a primary quality, but did not subscribe to a labour theory of value. They claimed that (some) goods are *intrinsically* valuable not because God or labour give them value (Amariglio 1988: 589).

3 In his later writings Locke takes a somewhat different position with regard to value theory. See, for instance, his *Some Considerations of the Consequences of the Lowering of Interest, and the Raising of the Value of Money* (1691a). I will not discuss developments in Locke's thinking in more detail.

4 Schumpeter (1951: 3) said that all economists need to know is what people want and how wealthy people are. Furthermore, for economic theory it is irrelevant *why* people demand certain goods (1951: 4).
5 For instance, because profits give status to an entrepreneur, as Frank (1985) argues.
6 Now the realism versus instrumentalism debate is touched upon. What I argue for is an account of how value is constituted that is in line with 'reality'. At a later point I will come back to this discussion.
7 I prefer the term 'social value theory' to any other term, because it communicates that value is socially constituted, and a theory is needed to explain how this can be perceived realistically. Another phrase for it, 'theory of social value' for instance, might make one believe that social value could be taken as a given, to be analysed in a variety of ways (including a neoclassical one).
8 Another institutional economist, David Collander (1996), argues that a similar strategy should be adopted in other fields of economic research to combat 'the orthodoxy' as well. His case in point is distribution theory.
9 According to Mirowski (1990), Anderson belongs to this school. In general it might be said that a social value theory is or would be closely related to institutional economics.
10 The deeply felt need to abstain from political considerations and norms in general even led economists to disregard factors like power, class conflict and cooperation altogether (Heilbroner 1988: 130). Social value theory appeared to be normative, and was thus not accepted as a feasible alternative to the mainstream of economics.
11 The title alludes to the influential book in sociology by Berger and Luckman (1966).
12 Neale (1987) argues that an institution can be said to exist whenever a group of people behaves in the same way in the same kind of circumstances, and similarly justifies or explains this behaviour.
13 See, for example, Douglas and Isherwood (1979), Douglas and Wildavsky (1982) and Douglas (1986) on the social influence on individual valuation. Dolfsma (1996a) proposes a view on individual behaviour that is or may be in acord with this.

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Abstract

Value theory is central to economics. Whenever new economic theories appear on stage, their theory of value is different. I classify value theories along Locke's lines of primary and secondary qualities. When value is thought to inhere in objects, value is a primary quality. The marginalists perceive value as given to objects by autonomous individuals independent of their environment (much like monads) with given preferences. Value here is a secondary quality. Both are unsatisfactory; value is a social construct. The question arises why social value theory, which Clark and Anderson worked on around the turn of the nineteenth century, did not take root.

Keywords

value theory, social value theory, valuation, John Locke, classification