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Value

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Value generally refers to the amount of money or other goods that must be paid to obtain something. There are nonetheless a number of very different value concepts, and in particular there is considerable difference between the ways in which economic sociology and orthodox economics treat the concept of value. In contrast, between economic sociology and heterodox economics there are significant commonalities regarding the treatment of the concept of value. The differences date back to the origins of sociology and classical economics, and persist or have perhaps become sharper between contemporary economic sociology and neoclassical economics. The commonalities between economic sociology and heterodox economics have emerged particularly since the 1980s.

In the history of sociology, value has been treated as a property of entire social systems, such as when it is associated with the concept of culture by Max **Weber**, one of the early founders of sociology: The concept of culture is a value concept. Empirical reality becomes 'culture' to us because and insofar as we relate it to value ideas (Weber 1949: 76).

On this view, our interest in reality is a function of the values which culture embodies, that is, our interest in the world is a 'value-conditioned' one. Sometimes termed the 'values approach to culture', it has been argued that such an approach treats culture monolithically as singularly shaping 'action by supplying ultimate ends or values towards which action is directed' (Swidler 1986: 273). This perspective is to be compared with the concept of value in classical economics of Adam **Smith** and David Ricardo, where the concept concerns a set of relationships that obtain within a system in the form of commodity prices or exchange values. As Smith puts it: 'The value of any commodity . . . is equal to the quantity of labour which it enables him to purchase or command. Labour . . . is the real measure of the exchangeable value of all commodities' (Smith 1976: 47). Here, value is not an ultimate end towards which action is directed, but rather the effect of action involved in the work required to extract objects of consumption from nature.

Emile **Durkheim** criticized Smith's classical value theory explanation in terms of labour input by arguing that it missed the central dimension of the concept of value. Value understood in terms of labour content appears as if it were something entirely objective and impersonal. But Durkheim argued that such a conception overlooks the role of social opinion in determining value, particularly in determining notions of just value (Durkheim 1992). This same critique, it should be noted, can be extended to neoclassical value theory in that it also treats value as market price, though rather as determined by objective and impersonal forces of supply and demand. Durkheim's argument was framed primarily in terms of the value of labour, and while it might be applied to the value of consumer and other types of goods, he focused on arguing that the wage rate depends upon social standards regarding the minimum resources needed to sustain to survival, that these standards were set by public opinion, and that they changed from period to period. However, Smith, David Ricardo and even more strongly Karl **Marx** each held in varying degrees similar views regarding the social determination of the wage. And since for each of them the value of other commodities depended upon the value of labour, this implies that their values also possessed a social component.

Durkheim's critique, however, is more successful in regard to the neoclassical view of the wage as determined by the marginal productivity of labour in production and in regard to the neoclassical view of price in general as market-determined. The marginal productivity of labour is a schedule of outputs made possible by incremental increases in labour input. Its level reflects the quantity of capital employed by labour, where both labour input and the capital employed are described in natural units: hours of labour and a certain quantity of machines and equipment. While one might say that social standards and public opinion implicitly underlie these values, rarely do these considerations enter into standard analysis. Much the same can be said about the explanation of price in general in neoclassical economics. Consumers play an important role in determining market price, but consumer preferences are taken as given and unchanging (Stigler and Becker 1977), so that their social determinants may be disregarded. Even more strongly, revealed preference price theory (Samuelson 1948), which most mainstream economists now take as the standard explanation of choice, makes the very content of preferences irrelevant to consumer choice. More generally, the formalist character of much recent economics reinforces the notion that value as price lacks any social characteristics whatsoever.

In contrast, heterodox traditions in economics, particularly American institutional economics and social economics, hold views of value reminiscent of Weber's view that value is a property of entire social systems and Durkheim's conception of market values as socially influenced. American institutional economists Thorstein **Veblen**, John Commons, John Maurice Clark and others make central institutions seen as 'settled habits of thought common to the generality of men' (Veblen 1919: 239). Social economics, with origins in Simonde de Sismondi, Karl Marx, Léon Walras, Joseph **Schumpeter**, John Hobson and John Maurice Clark, see the social economy as encompassing the market economy, so that social values and worldviews permeate markets and underlie consumption, production and distribution. Other heterodox approaches, such as Marxist economics, feminist economics, some ecological economics approaches and post-Keynesian economics, are similarly holistic, historically oriented, critical of the naturalism and positivism in economics, and reject the atomistic individualism of neoclassical economics. The last is a key point of tangency between heterodox economics and economic sociology and a key difference between orthodox economics and economic sociology. Just as Georg **Simmel**, in his important early study *The Philosophy of Money* (1978), identified related types of individuals (such as the spendthrift and the miser) according to their linked positions in an economic system governed by money, radical and Marxist economists see individuals as socially connected through their membership in classes and social groups that interact within systems of power, while feminist economists see gender relationships in the economy as constitutive of individuals' economic roles and economic prospects.

Interestingly, economic sociology enjoyed a revival in the 1980s, a period in which heterodox economics was also undergoing considerable development. While crossover relationships between the two have been limited, they have nonetheless appear to have each followed certain parallel pathways that may be seen to derive from a shared critique of the assumptions of neoclassical economics. Even more interestingly, economic sociology and heterodox economics appear to share broad outlines of a view of individuals as socially embedded *à la* Karl **Polanyi**, and of individuals and society as mutually influencing. Thus, parallel to economic sociologist Mark Granovetter's influential characterization of individuals' **embeddedness** in terms of being neither undersocialized nor oversocialized (Granovetter 1985), there is critical realism, a recent heterodox research programme combining a number of different heterodox approaches, that employs a structure–agent conception of society in which individuals both influence and are influenced by social structures (Lawson 1997), and also a renewed interest in the evolutionary themes of Veblenian institutional economics, that emphasizes upward and downward causation operating between individuals and institutions (Hodgson 2004).

The 1980s also signal the beginnings of change in mainstream economics, with the emergence of a collection of new research programmes that bear limited resemblance to neoclassical economics and each other. These new research programmes have almost all originated outside economics, thus not only importing modes of thinking often quite far removed from the traditional assumptions of neoclassical economics, but also reversing a period of **economic imperialism** when the individual rationality assumptions of neoclassical economics were re-applied outside of economics. **Game theory** comes from mathematics, and challenges the notion that economic individuals are isolated from one another by examining their interaction in games. In place of value as market price, value in game theory is understood in terms of sets of alternative payoffs which depend upon how players anticipate each other's choices. Non-cooperative, one-shot games bear many of the features of the neoclassical economic view of the individual, but repeated games and cooperative games introduce a variety of considerations regarding play that make social structure central. Another new research programme, **behavioural economics**, with origins in psychology, has focused on re-examination of neoclassical **rational choice theory**. Among its results, demonstrated repeatedly in experimental studies, is that economic individuals often cooperate rather than behave in a self-interested manner. Additionally, individuals' decision-making appears to reflect heuristic cognitive bias (use of rules of thumb rather than rigorous analysis) and different kinds of decision-framing effects associated with habits, 'herd mentality' and emotional attachments. For example, valuation can be influenced by strong feelings of regret individuals have regarding the loss of specially prized goods. Yet a third new research programme, **evolutionary economics**, including evolutionary game theory, with origins in Darwinian biology, has multiple currents, some overlapping with game theory and behavioural economics. Here, investigation first focused on evolutionary change in economic systems, and value is modelled as the frequency-dependent fitness of different survival strategies in populations over time. Subsequent investigation replaces this biological emphasis with the idea of cultural evolution of **beliefs** and norms, and value is modelled in terms of the 'fitness' of these beliefs and norms to promote some generally useful good. These new research programmes in mainstream economics may or may not converge on the value themes that have characterized economic sociology (and heterodox economics) in the future. While some currents in recent economics give prominence to social value concepts, others appear to be guided more by natural science and formalist ideas. On the whole, however, recent economics is a far more eclectic theoretical undertaking than neoclassical economics, particularly as reflected in the former's departures from the latter's linked postulates of value understood as market price and individuals understood as isolated beings. Thus, whereas there remain clear differences between economic sociology and neoclassical economics regarding the concept of value, whether these differences will persist between the former and economics as it emerges in the future remain to be seen.

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VALUES See: norms and values

VEBLEN, THORSTEIN

Thorstein Veblen (1857–1929) was a heterodox American economist who laid the intellectual foundations of American institutional economics. The son of Norwegian immigrants, Veblen studied at Carleton College, John Hopkins University, Yale University (where he received a PhD in philosophy) and Cornell University (where he did graduate work in economics). In the course of a chequered academic career, he held teaching positions at the University of Chicago (1892–1906), Stanford University (1906–9), the University of Missouri (1911–18) and the New School for Social Research (1918–26). Closely attuned to intellectual developments in a broad range of academic disciplines and national contexts, Veblen incorporated into his economic writings concepts and theories from contemporary research in psychology, ethnology and the biological sciences, as part of a determined effort to bring economics in step with the widely respected evolutionary sciences of his era.

Entering economics when the field was embroiled in controversies between so-called orthodox approaches and challenges from traditions such as the German **historical school**, Veblen sharpened and elaborated the critique of orthodox classical and neoclassical economic theory. At the same time, he upbraided exponents of the historical school for 'content[ing] themselves with an enumeration of data [and failing] to