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VALUE ELICITATION

SEE *Value, Subjective.*

VALUE, OBJECTIVE

Within the social sciences, the concept of *value* was initially associated with the discourses of classical political economy, modern economics, and the Marxist critique of capitalism, and was later extended to refer to ideas of what is morally or ethically "right" or "important" in social life and in individual behavior. Thus, *value* can refer to both "economic values" and "cultural values"—that is, to the valuation of goods and services being bought and sold in the market, as well as to the ideals, principles, and goals that people define for themselves as they pursue the "good life" and the "good society." An *objective value* is a value that has a universal, transhistorical, or transcultural foundation. As such, it is a concept in opposition to the notion that values are always subjective and relative, and reflect the predilections, choices, and preferences of individual social or economic actors.

OBJECTIVE VALUE IN ECONOMIC THEORY

The idea that a good or service produced for sale in the market possesses a value that is distinct from its price is fundamental to all theories of economic value. All such theories proceed from the assumption that a commodity's value is in some sense the "center of gravity" around which its price generally oscillates. For the physiocrats, this center of gravity was the productivity of agricultural labor; for the Smith-Ricardo classical school, the labor expended in the commodity's production; for Marx, the abstract labor required for the commodity's reproduction as measured by socially necessary labor time; for John Stuart Mill, the commodity's costs of production; and for the marginalists, its marginal utility to a prospective buyer.

Prior to the marginalist revolution in modern economic thought, the concept of value was treated invariably as an "objective" one. The value of a commodity was conceived as the sum of the value of the objective inputs to its production (living labor, raw materials, energy, and fixed capital depreciation). Sometimes these inputs were subsumed under one or another version of the "labor theory of value" and sometimes under a "cost of production" theory. But it was generally taken for granted that an intimate connection existed between the "objective value" represented by, or embodied in, a commodity and its market price.

The most important theorist of objective economic value was Karl Marx, who recognized the revolutionary implications of the idea that value exists as a definite (objective) quantitative magnitude that sets parametric limits on prices, profits, and wages. Transforming the classical labor theory of value, Marx argued that living labor was the sole source of new value and that the contradictions inherent in the "law of value" were at the heart of the "laws of motion" of the capitalist mode of production. As living labor is displaced from commodity production as a result of technological innovation and capitalist competition, the capitalist system deprives itself of the "social substance" (labor value) that is its lifeblood, and the rate of profit falls, setting the stage for capitalist crisis and ultimately social revolution. Hence, Marx's understanding of the "objectivity" of economic value as rooted in historically specific relations of production is integral to his account of the decline of capitalism and its supersession by a new socialist society that will be liberated from the tyranny of the law of value.

If Marx's theory represented the logical outcome of the classical school's commitment to a theory of objective economic value, it is unsurprising that economists committed to the perpetuation, reform, or fine-tuning of modern capitalism were eager to abandon it. The marginalist school of Carl Menger, William Stanley Jevons, and Léon Walras transformed the concept of economic value into an essentially subjective one, insisting that a good's value is determined solely by its marginal utility and that value is merely a psychological relation between a commodity and a potential purchaser.

OBJECTIVE VALUE AS A CULTURAL PHENOMENON

Friedrich Nietzsche was the first modern thinker to project the concept of value outside the sphere of economics (and mathematics) to the sphere of culture, arguing that individuals were motivated less by the "virtues" celebrated by classical philosophy than by "values" that reflected their own interests, proclivities, and tastes. His subjective concept of value was to deeply influence the social theory of Max Weber, for whom the subjective value orientation of individual social actors was a fundamental starting point of sociological analysis.

The concept of objective cultural or moral values developed in reaction to the relativism and subjectivism of Nietzschian philosophy and Weberian social theory. Both liberal-democratic and Marxist-socialist versions of the concept have been elaborated, but they are united by the idea that some core human values transcend location, time, and culture and that these values therefore possess an "objective" character.

SEE ALSO *Economics, Classical; Labor Theory of Value; Marginalism; Marx, Karl; Mill, John Stuart; Ricardo, David; Smith, Adam; Value; Value, Subjective*

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VALUE, SUBJECTIVE

The concept of subjective value is that each individual has their own preferences for objects or actions. This concept is applied by economists to understand behavior and operates "behind the scenes" of observed behavior. That is, preferences are part of a theoretical structure to explain behavior that is latent and are assumed to model the observed behavior. Thus it is common for economists to make statements such as "the individual is assumed to behave as if he or she has subjective preferences and values for this outcome" and then test the implications of that assumption. It is not the case that one can directly observe subjective preferences or subjective value. Instead, auxiliary assumptions are needed to infer subjective preferences or value.

The justification for subjective value is primarily a priori. It is easy to just imagine that people have different preferences for the same goods or actions; for example, one person likes red wine with most food, and another likes beer with most food.

What leads to the assumption of subjective value is that people seem to make different consumption decisions, even when the circumstances are otherwise the same. Imagine people deciding between two types of cars but having the same incomes and facing the same car prices. If we observe people choosing different cars or one