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The social determination of monetary value: A response to Ecks

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I would like to thank Stefan Ecks for taking the time to read and review my book *Inventing Value* and the editors of *Finance and Society* for inviting me to respond.

Ecks (2023) is disappointed that the book does not develop a comprehensive, essentially ethical, theory of the value of things based in the materiality of human need. He's certainly right that this is not the objective of the book. Indeed, this is just the sort of thing that I suggest a theory of value can never achieve (Elder-Vass, 2022: 37-40). Instead, the book seeks to examine how value, as we assess it in specifically monetary terms, functions in the economy. Value, in the sense of how much money we think something is worth, is of central importance to the operation of both the commodity and the asset sectors of contemporary economies: all purchasing decisions depend on assessments of value. As a consequence, it is also the focus of enormous social contestation backed by considerable social power, and the book focuses on how this shapes our valuations.

This means, and here Ecks agrees, that we must discard several earlier forms of value theory. Marx's labour theory, for example, requires that value is determined at the moment of production, but this depends on an untenable ontology of socially necessary labour time as somehow embedded in the products of labour (Elder-Vass, 2022: 26-30). This is also my objection to Mazzucato's work, which conflates a vaguely Marxist *productionist* understanding of value, as something that is produced and later divided up, with a far more promising *social* understanding of value (Elder-Vass, 2022: 31-36). Value in this social sense is not created in production and carried unchanged through the economic process, to be appropriated by various actors, but rather depends on an ethical evaluation of the use to which a product is finally put. A pile of bricks, for example, may have greater social value when it is used to build a public hospital rather than a mansion for a billionaire (Elder-Vass, 2022: 35). Ecks is mistaken in believing that I reject the social value elements of Mazzucato's analysis – it is the productionist aspect that is problematic. Indeed, in endorsing the concept of social value I arguably take a small step towards the kind of value theory that Ecks is looking for.

My primary argument, however, is concerned not with social value but with the monetary values that are attributed to commodities and assets. The argument is organised around a synthesis of recent work in the economics of conventions and valuation studies with two new concepts: *lay theories of value* and *asset circles*. Ecks finds my terminology for both concepts

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problematic but says little about the concepts themselves. Lay theories of value are the theories, or norms, or guidelines, or perhaps conventions (depending on how we understand that term) that ordinary social actors employ in making judgements of the monetary value of commodities and assets (Elder-Vass, 2022: 49-52). I argue that all valuations involve the use of multiple such norms, depending on the valuer's understanding of the character of the thing being valued and the context of valuation. They are 'lay' in the sense that they are employed in lay processes of valuation, by contrast with theories like general equilibrium economics and Marxist value theory, which are meta-theories of value employed in academic discourse. The (very large) set of lay theories includes fairly mundane norms like 'if something is damaged its value should be less' but also much more complex ones like the Black-Scholes theory of option pricing. Perhaps the Black-Scholes example makes the term 'lay' seem confusing, and perhaps I could have used a less confusing term, like 'monetary value norms' instead, but I hope the rationale for calling these lay theories of value is clear for careful readers. One crucial element of my account of monetary value is that many powerful social actors, a group that I call *value entrepreneurs*, seek to influence the lay theories we accept and which commodities and assets we apply them to.

The second new concept, asset circles, relates specifically to the valuation of financial assets. Every asset has an asset circle, which is a group of people and/or organisations that consider the asset as a possible purchase. Without such a group a financial instrument is unsaleable and thus not an asset at all. For neoclassical economics there is no need for such a concept because all economic agents are automatically considered to be fully informed and willing potential participants in every market. In reality, by contrast, most economic agents are unaware of and/or uninterested in the vast majority of financial assets. Hence building the asset circles for particular financial instruments by marketing the instrument to new groups of potential investors is another key focus for the value entrepreneurs seeking to establish and grow their value. The later chapters of the book trace this process for three specific asset classes: shares in the portfolio companies promoted by venture capitalists, Bitcoin, and the structured subprime securities that were central to the 2008 financial crisis.

Ecks's objection to the term "asset circles" is that the concept of a circle "imposes an abstract shape on these groups that they do not have in reality". I am always taken aback when readers take spatial metaphors so literally, but Ecks is not the first, so let me explain. I adopt the concept of a social circle from the work of Georg Simmel, because he uses it to refer to *cross-cutting* social groups, as opposed to more totalising concepts like *communities* (see Elder-Vass, 2010: 122; Simmel, 1955). This fits neatly with groupings like norm circles and asset circles, because these are defined by thin shared orientations to *single* items, whether norms or assets, rather than by a thick commitment that crosses many different aspects of social life. Asset circles are cross-cutting groups, for example, because the asset circles for different assets are wildly intersectional: the group of investors that is open to buying any one asset has no necessary relation to the group that is open to buying any other asset, and this unconstrained relation is replicated across many other pairings of asset circles.

There are other points where Ecks appears to have missed aspects of the argument or perhaps where I have failed to communicate them properly. I am not, for example, an advocate of a stark binary distinction between commodity exchange and gift exchange as it is understood in the Maussian tradition. On the contrary I have argued for explicitly non-Maussian understandings of the gift (Elder-Vass, 2015) and described the contemporary economy as composed of a diverse range of economic forms, incorporating and sometimes hybridising commodity, gift, state and other elements (Elder-Vass, 2016).

Nor do I reduce the global financial crisis simply to inflated beliefs in financial valuation. This would run entirely counter to my careful positioning of valuation as both the outcome of, and a contributor to, complex interactions of many different causal forces (Elder-Vass, 2022: 46-49). But inflated beliefs in financial valuations *did* play a crucial role in the crisis, and it is important to understand the processes through which that came about. The way in which structured securities were inserted into sets of assets with pre-existing asset circles played a significant part in producing those inflated beliefs (Elder-Vass, 2022: 170-98). In saying so I am not suggesting an entirely new explanation of the crisis but rather hoping to illuminate one important dynamic that contributed to it and demonstrate how the concept of asset circles helps us to do that.

Granted, this book does not provide the general theory of value "both within and without market exchanges" that Ecks (2023: xx-yy) is hoping for. But I hope that it has made a useful contribution to making sense of how *monetary* value is socially produced, under the influence of active interventions by powerful social actors.

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