

# The Concept of Value in Ethics and Economics

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THE CONCEPT OF SUBJECTIVE VALUE provides one of the most striking characteristics differentiating voluntarists from statisticians. One's definition of value colors his individual view of reality and accounts for many, if not all, of the choices made in a lifetime. Despite elucidation by notable persons, the concept remains elusive, rendering reiteration more than an idle gesture.

One tends to offer apologies for mining tunnels seemingly exhausted in the past. Subjective value appears, at a glance, to resemble one of those tunnels consisting of a few specks of played-out ore and a host of useless residue. Were this assessment accurate, mere recapitulation of the subjective the-

ory of value might serve merely to edify the writer, not the readers who have heard or read it all before from more ardent and convincing sources. Yet the mere fact that modern value theory recognizes the subjective nature of value fails to mean that a lesson once uttered is forever learned. Indeed, human experience and behavior demonstrate that this central concept represents one of the most fugitive of ideas, difficult to grasp and even more taxing to apply. Thus, penetration to the core of the concept seems warranted for two reasons: (1) to restate and communicate a basic truth and (2) to define and analyze the idea in a manner which will illuminate the thought against the backdrop of vexing and perplexing problems.

An analyst can gain insight

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into the meaning of concepts by recourse to a trusted friend: the dictionary. Like other trusted friends, this one may be wrong on occasion but by and large it will offer sound advice or at least point the direction. Yet one must constantly recall that words constitute poor vehicles for the conveyance of concepts, and the imprecision of language may obscure the nature and essence of truth.

After some false starts, my dictionary defines value as "relative worth, utility or importance" on a scale of preference.<sup>1</sup> The lexicographer offers some important insights derived from the bare genesis.

(A) *The Individual and Value.*

First and foremost, value means nothing unless it relates in some manner to an individual, an acting human being.<sup>2</sup> One cannot meaningfully discourse upon worth or value unless he relates the worth of some tangible or intangible good or idea to some particular individual actor. Any creature lacking the capacity to choose between alternative courses of action cannot assess or recognize value.

(B) *Value and Objects.* One writer has correctly asserted that discussion of value must include

consideration of the questions "value to whom" and "value for what purpose."<sup>3</sup> An object evidences no value unless it can be utilized by some person to achieve a certain goal.<sup>4</sup> Correct, as far as it goes: value does mean worth to an individual in relation to a goal, end or desire.

However, the view of objects as the sole entity or repository of value adumbrates reality. Values include intangibles. As discussed later, the concept (and importance) of the subjective value theory extends beyond the confines of mere economic theory or dealings with material things. It plays a seminal role in the dismal science, to be sure, but one must not discount the fact that human values reach farther fences.

A simple explanation accounts for the emphasis upon value in relation to material goods: the concept of subjective value developed almost simultaneously by three economists working separately — Messrs. Carl Menger, W. S. Jevons, and Professor Walras<sup>5</sup> — men whose minds were concerned with the problems accompanying the exchange of goods and services. It is not that these men and their followers restricted the application of this novel theory to material matters but rather that they used it as a tool to explain economic phenomena and,

particularly, to refute the labor theory of value which arose in the classical period and reached its deadly apogee in *Das Kapital* of Karl Marx.<sup>6</sup>

The objective value theory becomes manifest in the labor theory of value in the field of economics, the theory that the value of a good or service is determined by the cost of production or the amount of energy expended.<sup>7</sup> The brilliant Austrian economist and student of Professor Carl Menger, Eugen Bohm-Bawerk, incisively exposed the fallacies of the labor theory of value in the late nineteenth century.<sup>8</sup> Contrary to the tenets of the labor theory of value, value is determined by individual evaluations of personal utility,<sup>9</sup> or, as Dr. North reminds us, the value of labor derives from the value of labor's product.<sup>10</sup>

(C) *Value and Ends.* The view that value represents that which possesses utility clouds the expansive nature of value in the same manner as the strict relation of value to tangible objects. One may value laughter or a sunrise — ephemeral but real delights — over butter, bread or bricks. One may value God, or love, or commitment to a philosophy over his own life. Concentration on the very real role that value plays in market exchanges ought not mask

the equal truth that values equate with both tangible and intangible goals as well as the means of satisfying those goals. The value of friendship cannot be stated in market terms like the measure of a pound of coffee.

Thus, value refers to worth as a means to an end as well as to the end itself. Perhaps the imprecision of language betrays and muddies this important distinction in common speech.

(D) *Value on a Scale of Preferences.* Leonard Read remarks that possessions reflect a man's values and we are, in a very real sense, that which we own.<sup>11</sup> True, to the extent that possessions accurately reflect goals. Values of each man refer to the goals of each acting individual as viewed by that person in the hierarchy of his purposes and measured by him as relevant to those purposes.<sup>12</sup> Each actor commands a scale of preferences in his life; only he can rate a particular goal, end, object or thing on that scale.

### **The Theory of Subjective Value**

The objective theory of value holds that absolute, intrinsic values exist and can be discovered by man. Certain matters are inherently good or desirable and rank as absolutes on the scale of preference for every human being.

The subjective theory of value, to the contrary, recognizes the nonexistence of any means to identify or define in absolute or universal terms the essential characteristics of an ultimate good. Dr. Rogge succinctly summarizes this position:

The first of the propositions on which I wish to base my argument is the fundamental proposition of all modern value theory: Value does not consist of objectively definable characteristics of a good or service; value exists only as subjective judgment in the mind of each beholder. It cannot be measured directly but only indirectly by the behavior it elicits. There is no way that the subjective valuations of two people can be summed or even directly compared.<sup>13</sup>

Consider the application of this concept in the economic milieu. The exchange value of any item, good, or service is what another person will offer for it in voluntary exchange.<sup>14</sup> No individual can determine value for another; no one can comprehend the intricate hierarchy of preferences residing within another person. The practice of subjective evaluation represents the embodiment of freedom of personal choice or liberty.<sup>15</sup> If nothing entails value unless it bears a relevance to a desired end, no individual other than the actor can (1) recognize the end sought and (2) measure

the relevance of the tangible or intangible value in achieving that end.

Achievement of any end requires payment of a cost. In the economic realm, we term that cost the "price," the amount of exchange goods satisfactory to a willing buyer and a willing seller in a free and uncoerced exchange. Price acts as the indicator or objective *expression* of value; it measures value but does not constitute value.<sup>16</sup>

The common concept of cost disguises the fact that cost may be measured in nonmonetary or, indeed, nonmarket terms. What it costs one to choose a course of action may not be measurable in dollars and cents but in loss of opportunities for happiness, safety, self-respect, love or some other real but intangible item of importance. Consider government nationalization of an industry or application of the doctrine of eminent domain for "social" purposes, current euphemisms for outright theft. Under civilized standards, the state takes over the electric power industry or the coal mines but salves its collective conscience by paying full (objective) value to the owner. Objective value consists of the amount of money which expert appraisers tell the parties that some mythical buyer would pay for the properties and

which some mythical seller would accept. Yet payment of such an objective cost cannot disguise robbery of the subjective worth of the enterprise, the right and opportunity to peacefully engage in that endeavor. Subjective value achieves free rein only in *willing* exchange; by definition, eminent domain and nationalization proceedings involve *coerced* exchange wherein one individual's subjective scale of values indicates a preference to retain property rather than exchange it.

### **The Myth of An Absolute Objective Value**

Adherents of the basic freedom philosophy often encounter severe difficulties in understanding and applying the theory of subjective value. One primary reason concerns the apparent clash between the idea of subjective value and the belief in absolute principles governing man, life and the universe. Many libertarians believe, rationally or intuitively, that life contains absolute tenets; for this reason, these thinkers decry the postulates of relativism, be it economic or moral. For example, Lord Keynes, challenged by contemporaries concerning the extended effects of his irrational monetary and employment policies, supposedly uttered the dictum, "In the long run, we are

all dead," a clear expression of the relativistic neomercantile approach to solution of economic problems. Free marketeers disdain such an overture, cognizant that man must pay a cost for every purchase, that every cause produces effects. Again, in the field of axiology, libertarians often decry the concept of situational ethics, a trend which may justify "immorality" on a relativistic basis.

Reflection reveals no conflict between the concept of subjective value and the existence of fundamental absolute principles in the universe. The key lies in the nature of man: man is a finite, fallible, limited creature; he can glimpse truth through St. Augustine's dark glass. No man possesses unchallengeable, immutable ability to know truth; each of us maintains a world view frayed and scarred by his own ineptitude, flawing his perception and causing his knowledge to deviate from reality.

Truth or reality is absolute; it cannot vary; one cannot challenge fact. Absolute principles derive from truth and exist untrammelled in the universe. These absolutes exist wholly apart from our perception. Man can contest truth or reality, but he must pay the price of error.

The validity of the fact of ab-

solute existence does not in any way counteract the theory of subjective value. An actor places values on a range of choice related to his real or imagined goals. Truth may not rank high in his perspective. Or, he may perceive a different truth from his neighbor. Or, he may value other truths on a higher plane than his traducer. Or, he may fall into error. The points remain: (1) absolutes exist; (2) man may not recognize absolutes; (3) different men may become cognizant of different views of reality; (4) only each man, acting individually, can rate values in his order of preference. These four propositions do not wage internecine war; they coexist. Thus, the concept of subjective value and the existence of absolute truth occupy mutually independent spheres. Truth never varies, never becomes relative; man's ranking of important things does vary, from person to person and from time to time.

Dr. Gary North defrocked the error in confusion of the two concepts a few years ago when he pointed out the fallacious reasoning of conservatives who believe that gold possesses intrinsic (objective or inherent) value.<sup>17</sup> Many freedom philosophers *prefer* to convert their assets to gold or silver rather than trust in fiat paper. Gold and silver contain intrinsic

*properties* which account for their *historic* value, yet neither gold nor silver nor anything else manifests intrinsic worth. Whether or not these metals are valuable depends upon the individual subjective choices of the owner and the one with whom he may wish to trade. One may rank gold as less valuable than food, clothing or shelter, depending upon his circumstances. And, one may rate food or water or life itself less valuable than a cause or the life of another person. Literature and history abound with examples of those who have valued the lives of friends or family more intensely than their own continued existence and so chose to sacrifice their very being.

### **Ethics and Economics**

Comprehension of subjective value may increase when examples portray its application to several fields of choice. In so doing, what appears apostasy may become doctrine.

As noted earlier, the initial application of the doctrine of subjective value appeared in the field of economics. Easy examples appertain here. Only the buyer knows whether he values soap more than matchbooks, watercress more than acorn squash, or pet food more than quilts. Willing exchange commands that each

participant to a trade subjectively believes that he gains from the transaction.<sup>18</sup> If the swap only occurs by virtue of coercion, no willing exchange would have taken place and the trade does not correspond with the subjective value of at least one actor.<sup>19</sup> One "profits at another's expense" only if he employs force or fraud in the transaction;<sup>20</sup> by definition, each actor benefits from a free transfer.

Normally, the simple model becomes more complex in modern society, but the basic principles remain. One employs his creative talents in an endeavor which produces an abundance beyond his own needs; he then barter those extra goods to others in exchange for different items which he subjectively values beyond his extra creations. As time passes and specialization and division of labor grow, society uses trade goods as a medium of exchange: goods we call "money." The more complicated model does not alter the fundamental fact that a producer will choose to produce and to trade in accordance with his subjective values, and a purchaser will choose to consume on the identical basis. Each individual portrays the roles of producer and consumer and only the individual can determine (in accordance with his personal scale of preferences) what and

how much to consume. At some point in time, the actor will decide it accords with his preferences to withhold production or consumption of a given good when the value given in return appears too insignificant or too costly according to his choice.

### ***Ethics in Human Relationships***

Like rules govern the ethical judgments made by man. Only the actor can determine whether or not he should destroy the life of another human being, either during warfare sanctioned by a group (the state) or during a fit of personal pique. Other human beings may wreak consequences upon the actor as a result of his chosen course of conduct, the threat of which may have a direct bearing upon his initial choice. Similarly, only the actor can decide whether to lie or deceive even if no legal consequences attend his conduct, whether extrinsic circumstances such as ill health of another justify an untruth, whether one ought to marry a specific person, whether fairness and mercy obligate the donor to transfer \$100 to poor relief, whether to honor one's parents, or whether to worship God or to maintain quiet on the Sabbath.

Moreover, the concept applies to personal relationships between human beings. Friendships develop

out of a concatenation of values. Like goals attract; unlike values repel. No state can effectively legislate friendship or camaraderie, but at best an uneasy truce. No one can force you to love your neighbor; you will do so only if that relationship fits your world view and your scheme of values.

Again, the doctrine applies easily to choices in aesthetics and art. Preferences among persons surface abruptly in the fields of art, architecture, sculpture, music, photography, literature, and entertainment. That which the public (individual patrons collected) subjectively values produces rewards (exchanged goods, plaudits, fame) for the artist or entertainer; that which no one subjectively values rots in the producer's garret or resides, unnoticed and undusted, on a purveyor's shelf. The artist may continue to produce despite rejection because he receives value from the creation of his art; that value may far outstrip the value chosen by others in the market place.

Those who ignore the concept of subjective value lead the parade to subsidize "cultural" activities as "intrinsically" good: witness organizations to collect tax funds for support of symphonies, art galleries and civic theatres. Yet these activities contain no more intrinsic value than an ounce

of gold. If a sufficient number of persons in the community subjectively value the symphony or the theatre, these endeavors will endure; if not, their continued existence depends solely on force.

### ***Subjective Value and an Ordered Liberty***

A number of persons who believe themselves to be traditionalist-conservative if not libertarian in outlook opt for a concept of "ordered liberty." They value eternal things, necessary to order and the good life in their subjective view. Unfortunately, this approach lends itself to the application of an objective value concept. Order becomes the touchstone; deviates receive punishment; men become fit to a Procrustean bed measured by those in political power.

All too often, the "ordered liberty" proponents penalize "deviant" personal conduct which fits the subjective value of the actor and harms no other person. Sunday Blue Laws, compulsory chapel, conscription, law proscribing sexual activities between consenting adults all partake of this attitude. Public display of nudity may not be in the best of taste, but man should be concerned with living his own life, not limiting the equal, reciprocal right of others in this regard. The judicial sys-



tem tends to impose values upon disputants in this kind of society rather than performing the limited function of deciding concrete cases. The law becomes a censor of personal conduct and a prescriber of the objective values to be maintained.

Let me commit what may seem an unpardonable heresy: neither freedom nor mankind itself represents an objective value. To me, as a believer in the freedom philosophy and the dignity of man, individual liberty and my right to live my own life as I see fit rank high on my personal scale of values. I fervently hope that others think likewise—but I recognize that all too many persons do not hold these beliefs or, if they pay lip service to such values, they manifest a remarkable inability to equate their means and ends. Personal freedom and the fundamental rights of man accord with absolute verity but one cannot consistently claim intrinsic value for such rights.

Those who seek an ordered liberty may be on the trail of very real values. Many of us favor the serenity of the quiet life where no neighbors intrude in our sylvan glade. Yet, as long as man shares this globe with other men, conflicts will arise. These conflicts can be resolved in two ways: by force or by mutual uncoercive in-

terchange and negotiation. I prefer my order to develop out of the market, be it a market for goods or a bazaar of ideas. A respect for the subjective values of others bodes well for the survival of man as a choosing, free creature; emphasis upon objective value theory delivers a dulling blow to the creative spirit. ☸

#### — FOOTNOTES —

1 Webster's Third New International Dictionary (G. & C. Meriam Co., Springfield, Massachusetts 1966) 2530-2531.

2 See, e.g., Jennings, Frederic Beach, Jr., "Value, Exchange & Profits: The Bedrock of Economic Science," 16 *Freeman* (No. 9) 52 (September 1966); Read, Leonard E., "Freedom's Theory of Value," 17 *Freeman* (No. 10) 594, 596 (October 1967).

3 Jennings, *op. cit.*, Note 2.

4 *Ibid.*

5 Read, *op. cit.*, Note 2.

6 See, North, Gary, "The Fallacy of 'Intrinsic Value'" 19 *Freeman* (No. 6) 370, 371 (June 1969).

7 See, Read, *op. cit.*, Note 2, p. 595; Lipton, Dean, "The Man Who Answered Marx," 17 *Freeman* (No. 10), 597, 600 (October 1967).

8 Lipton, *ibid.*

9 Read, *op. cit.*, Note 2, p. 596.

10 North, *op. cit.*, Note 6, p. 372.

11 Read, *op. cit.*, Note 2, p. 594.

12 Jennings, *op. cit.*, Note 2.

13 Rogge, Benjamin A., "No New Urban Jerusalem," 3 *Imprimis* (No. 9) 1 (September 1974).

14 Read, *op. cit.*, Note 2, p. 594.

15 *Ibid.*

16 Pitt, W. H., "Value: The Soul of Economics," 19 *Freeman* (No. 9) 515, 517 (September 1969).

17 North, *op. cit.*, Note 6.

18 Read, *op. cit.*, Note 2, p. 594; Jennings, *op. cit.*, Note 2.

19 Jennings, *ibid.*

20 *Ibid.*

# The Roots Of American Order



I DON'T KNOW what I expected when I heard that Russell Kirk was writing a big book on the nurturing of American religious, social and political beliefs. All I can say is that his *The Roots of American Order* (Open Court, \$15.00) comes as a total surprise.

It is the incredible scope of the book that is staggering. Even more remarkable, it is as deep as it is wide, relating order in the soul to order in the State in masterly fashion. Kirk has always been good at intellectual portraiture, but this book combines his old forte with the qualities of a great mural. Where others have sought to prove that conservatism has been an exotic plant in America, Kirk makes it plain that we have been much more firmly rooted in conservative western values, stoic as well as Christian, than most modern commentators have supposed.

Others, before Kirk, had made the point that the American Revolution, unlike the French upheaval that occurred a few years later, was a defensive operation designed to preserve old liberties rather than to force a radical change in society. Peter Drucker, writing in 1942, had spoken of "The Conservative Counter-Revolution of 1776." This was my first encounter with a perspective that really explained our origins as a free nation. True enough, Drucker had drawn some conclusions that were fairly explicit in Edmund Burke if one is to put the famous Anglo-Irish Whig's speech on conciliation with America together with his *Reflections on the Revolution in France*. But Burke had been forgotten by an ignorant generation before Drucker came along to remind us that Washington, Jefferson, John Adams and