

Economic Value Theory

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Abstract:

Value theory is the most important theory in economics, which reflects the pursuit of economic society and the goal of economic growth. Unfortunately, there is currently no correct value theory in current economics due to a lack of understanding of the values and decision-making processes of the economy and society. The article points out that the significance of economic and social existence is to solve the contradiction of scarcity, that is, to enhance the usefulness and utility value of scarce resources to people. Understanding this point means that the value of the economy and society must be the attribute of the utility value of goods. People pursue the improvement of the utility value of goods, which has not changed since ancient times. The market economy adopts a decentralized property rights system, and the property rights relationship determines that people unanimously choose the utility value attribute as their value. The final conclusion is that the value of economic society is the utility value of goods, which requires that scientific economics should be based on the theory of utility value. Economics without utility value theory is not scientific economics.

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I. Introduction

Economics is the science that studies the economy and society. Among all economic theories, value theory is the most important one. It is the fundamental and core theory of economics. The correctness of value theory determines the scientific nature of an economics. Unfortunately, so far, current economics has not been able to provide the correct value theory. Professor Hu Jichuang, who has been researching value theory for a long time, pointed out this current situation: The law of value is the most commonly used economic term in people's daily lives, and everyone says 'we should act according to the law of value'. However, the law of value has been one of the important economic theories that have been debated since the 1950s, and there is currently no widely accepted definition. This is because value and its laws are complex economic categories, and it is necessary to provide them with a precise and complete definition that can be applied to many aspects. Defining is a very difficult task.^[1]

Economists argue about value theory, indicating that no value theory is widely accepted by economists. If this problem is not solved, it is equivalent to the absence of scientific economics. Because economics based on erroneous value theory cannot be scientific economics.

The importance of value is also reflected in its correlation with economic and social growth, and studying value theory is actually studying economic growth theory. In real economic society, GDP is generally used to represent economic growth, and GDP corresponds to value. Gross domestic product is the total value of all final products.^[2] So, not understanding value is actually not understanding GDP, not understanding economic growth.

The book "Principles of New Economics" delves into the theory of market economy value,^[3] solving the problem that troubles economists from the perspective of combining theory with reality. This article provides an explanation of the value theory of scientific economics.

II. What is value

Economists have yet to construct a correct value theory, which is related to a lack of understanding of the term 'value'. So we need to first address the issue of what value is.

Initial Value Understanding

In reality, almost everyone is talking about value. The term 'value' is widely used in daily life. For example, when watching a performance, having dinner, buying a piece of clothing, or traveling, people will say 'worth it' or 'not,' referring to value. Explain that value can be applied in countless different scenarios, or that value has countless different meanings. The term 'value' is like the variable x in mathematics, which can represent any numerical value. People assign a value to x in specific applications, and similarly, when applying value, it needs to be defined by assigning a value. Otherwise, value can only be an abstract concept.

Secondly, in mathematics, x has a range of values and the same value. When people apply the term 'value', although it can have different definitions (assignments), its value range is 'positive effect'. This is one of the valuable explanations provided by Chinese dictionaries, which is called "positive effect". We use positive roles to represent aspects such as "pursuit", "importance", "interests", etc. For example, when dining in a restaurant, people focus on the taste of the food, rather than the size of the room window or the height of the steps. So, value should be linked to "taste".

Definition of Value

With the above concept, we can define value as follows: value is a word that can be assigned different "contents" (similar to the x variable in mathematics), and the content that is assigned value needs to have a "positive effect" (similar to x having a range of values).

Furthermore, we describe it using value criteria.

Value Principle 1: Value needs to be defined.

If value is not defined, it can represent a lot of content. Why is value not defined when people use it in reality? It is actually a default definition, where people know what value means in different scenarios. In formal contexts, especially in economic applications, value should be defined.

Value Principle 2: The definition of value must be meaningful.

The so-called meaning refers to the definition of value being in line with "positive effects". Just as the x variable has a range of values, using positive effects to represent the range of values, people need to be associated with positive effects when defining value. Value is often something people pursue and cannot define an insignificant content as value.

Value principle 2 is very important, people can describe the taste without value. For example, eating in a restaurant can describe the taste without value, and watching a performance in a theater can also describe the excitement without value. However, once value is used, it cannot be associated with irrelevant things, called "useless value", especially when it cannot be defined as value that people do not pursue and forced to pursue, called "harmful value". Harmful value can bring negative consequences.

In summary, understanding value requires understanding two principles of value. After understanding two principles, one knows that people can avoid using value, and once they want to use it, they need to first define it. And the definition must be linked to positive effects. In some scenarios, there is no need to use the

term 'value' if there is no positive effect. For example, physics describes the natural laws of the natural world, which are neither good nor bad, meaning they have no positive effect, so there are few valuable concepts in physics. Economics, on the other hand, describes the economic laws of the economy and society, which are artificially formulated and involve positive effects related to people. So we need to use the term 'value'.

III. The positive role of the economy and society

Below, we will study the "positive role" of the economy and society, which is actually the pursuit of people in the economy and society, that is, economic goals.

Economic Objectives

Below is an analysis of economic goals based on the significance of economic and social existence.

Economic society is a society where people engage in economic activities. The reason why people engage in economic activities is that there is a scarcity contradiction: the Earth's resources are limited, but people's needs (desires) are infinite. In order to solve the contradiction of scarcity, economic society emerged. That is to say, the economic goal of economic society is to "solve the contradiction of scarcity". The definition given by Western economics is "economics is the science of studying how scarce resources are effectively allocated".^[4] Thus, it is known that Western economics recognizes the contradiction of economic and social scarcity, which is called scarcity.

Transformation of Economic Objectives

The economic goal of solving the scarcity contradiction is too complex, and we need to simplify and transform it. Resolving scarcity conflicts can be done in two directions: reducing human needs or enhancing the ability of objects to meet human needs. In the field of economics, if we do not consider reducing human needs, then the economic goal is to enhance the ability of goods to meet human needs. The ability of things to meet human needs is defined as the attribute of things called "utility value," so the economic goal is transformed into "enhancing the utility value of things.

Through the above analysis, we know that the significance of economic and social existence, or people's only pursuit, is the "utility value" of goods. The entire economy and society can be considered to revolve around goods, because goods are an abstract concept that actually revolves around a certain attribute of the goods, which is the "utility value" of the goods. Since people in the economy and society pursue the utility value of goods, naturally, utility value should be defined as "value". Of course, it is also possible not to define value, but to directly describe what people pursue as the attribute of goods called "utility value". In fact, the concept of value already exists in the term utility value (which is just a name that can be changed to utility), and another term for utility value is usefulness.

Conclusion

The only pursuit of economic society is actually the utility value of goods, and no economic society has changed since ancient times. That is to pursue the usefulness of the product. We refer to utility value as a positive effect on the economy and society. As early as over 2000 years ago, the ancient Greek economist Xenophon had already proposed the viewpoint of utility value. He believes that wealth does not mean that a person owns something, but that it is useful to you. He said, "A flute is wealth to those who can play, but to those who cannot, it is like a useless stone."^[5]

According to this logic, economics or economic society may not use the term value, but once used, according to our value criterion 2, it can only be associated with the utility value attribute.

IV. The Value of Planned Economy and Market Economy

Talking about economic and social values is actually about the pursuit of economic and social values. Planned economy and market economy are two different types of economic societies, with different "prescribed" pursuits and defined values. China has experienced both planned and market economies, and it is easy for us to understand the value of both planned and market economies.

The Value of Planned Economy

We can easily understand that the value stipulated by planned economy is labor value. Because the economic theory adopted by planned economy is political economy, which is based on labor value theory. So, some of the economic policies issued by the Chinese government back then were basically related to the value of labor, such as "distribution according to work", "equivalent exchange", "more for more", and so on. Another characteristic of labor value is that the price of goods remains unchanged. Note that price is a measure of value attributes. ^[6] Because the value of labor is an objective attribute, the price of goods does not change with people. Another characteristic of planned economy is that enterprises will not go bankrupt because they create value (labor value) by producing products, so they will not go bankrupt.

The Value of Market Economy

Many people, including economists, know the value of a planned economy but not the value of a market economy. Firstly, we logically analyze and draw the following conclusion: the value of a market economy must be different from that of a planned economy, and value must still be a commodity attribute. According to this logic, the value of a market economy cannot be labor value, may it be any attribute of other goods? The only answer can only be the utility value attribute. If it is attributes such as length and quality, society will become chaotic. So, the value of a market economy must be a utility value attribute.

The value of a market economy is subjective utility value rather than objective labor value, which is easily verified in practice. Prices in a market economy can vary depending on the individual. This is the fact we see that as long as both parties are willing, they can freely choose the transaction price, because in a market economy, the government no longer intervenes in prices. So Professor Wei Xinghua pointed out that "planned economy refers to the government's comprehensive management of the economy mainly relying on directive plans. Commodity prices are set by the government, which is known as 'planned prices'." ^[7] If, during the planned economy period, both parties to the transaction arbitrarily change prices, it is illegal. Because there is no concept of utility value in economics, it seems that people do not understand that market economy adopts utility value. The following analysis further proves this point.

How the value of the economy and society is determined

We only provided the objective fact that planned economy and market economy provide different values. Below, we will analyze how value is determined. Because the value of the economy and society is determined by humans, we need to study the decision-makers of value and who has the right to determine value.

Determination of Property Rights Relationship

Who is the right holder to define value. A basic fact is that "property rights determine the value determiner". According to natural laws or general laws, whoever owns the property rights of resources has the right to allocate resources, including the right to define value. So, whether it is a planned economy or a market economy, the definition of value is determined by the relationship between property rights.

The planned economy adopts a centralized approach of social resources, with all resources

concentrated at the national level and uniformly allocated by the government. Therefore, the value of the planned economy is defined by the government. During the planned economy period in China, the government defined the labor value attribute as value.

Market economy is different from planned economy in that it adopts a resource dispersion approach, where everyone has a portion of resources and can freely allocate their own resources, including the definition of value. This is the phenomenon we see. Vegetables can be sold in piles, books can be weighed in pounds, and clothing business owners can give clothing to employees as gifts or at a low price if they are willing. This is equivalent to economic entities being able to choose any commodity attribute as the value and exchange it according to this value. However, driven by interests, when people engage in commodity transactions, that is, barter exchanges, both parties must pursue the idea of "the exchanged goods being the most useful to themselves, rather than the heaviest and lightest goods or the largest amount of labor". Thus, this conclusion is formed that the value defined by market economy people is the utility value attribute of goods.

Simply put, when planned economy resources are concentrated, the government determines value, and the government chooses labor value; Market economy resources are dispersed, and the people determine value, while the people choose utility value.

Harm of non utility value attributes as value

We already know that in economic society, people pursue utility value. Therefore, if people define value as other values that are not utility value, it must violate Value Criterion 2. Value Criterion 2 tells us that defining value must have meaning, and if there is no meaningful definition, it may be invalid value or harmful value.

It is easy to analyze the attributes of a commodity beyond the utility value defined by the economic society as value, which will inevitably bring harm to the economy and society. For example, if value is a length or quality attribute, then people in the economy and society pursue the production of long and heavy products; If value is the amount of labor, people will pursue to consume as much labor as possible on a product. Obviously, these will bring harm to the economy and society.

In reality, non utility value attributes other than labor value have never been chosen as values. Will the value of labor not lead to social chaos? Analyzing the practices of China's planned economy period, in fact, labor value is not something that people are allowed to pursue. When people produce or trade goods, the government has already determined the price of the goods (fixed value for labor volume), so that the economy and society can continue to operate using labor value. Of course, the price paid is that people are not allowed to "pursue" and can only act according to regulations.

V. Different Value Theories in Different Economics

Below, we will analyze the value theories of political economy and Western economics. Analyze how they choose and define value.

The Value of Political Economy Definition

Undoubtedly, the value defined by political economy is the labor value attribute of a commodity, that is, the labor quantity attribute. What we are concerned about is why it chooses labor value and the process of defining labor value as value.

The Generation Process of Political Economy Value Theory

Any textbook on political economy can see how political economy chooses labor value, and only a

brief process is provided here.

Political economy first proposes the two factors of goods, usage value and value. It does not use the concept of product attributes. Its use value is the attribute of utility value. At the same time, it also provides the concept of labor value, defining labor value as the general amount of labor condensed on goods.

Subsequently, political economy recognized that people's commodity trading is an exchange of use value, that is, it recognizes that people pursue the use value of goods. But it believes that "the use value of different goods is different in quality, and things of different qualities cannot be compared in quantity".^[8] This is a critical turning point, which leads to the necessity of choosing labor value as the basis for value.

Error Analysis

The following is a brief analysis of the error in selecting labor value attributes as values.

Economics is the science of studying economy and society. When choosing a certain attribute of a commodity as its value, two conditions must be met: firstly, it is consistent with the real economy and society, otherwise it is utopian economics; Secondly, it is believed to be a scientific choice and then attempts to transform the economy and society.

Firstly, analyze whether it is consistent with the economy and society, as planned economy adopts labor value, it is consistent with planned economy, but not with market economy. So if political economy is used in a market economy, it is completely wrong.

Secondly, analyze the scientific or reasonable nature of labor value as a value. We know that from ancient times to the present, people in economic society have pursued utility value, which shows that choosing labor value violates value criterion 2, and it may be invalid or harmful value. Further analyzing why political economy chooses labor value, it acknowledges that in economic society, people pursue the use value of goods in commodity transactions. The reason why it chooses labor value is that utility value cannot be measured. Actually, this is completely a wrong viewpoint. Both utility value and labor value are attributes of a commodity, and all attributes of a commodity can be measured. So, if political economy understands that utility value can be measured, then it is believed that it will also choose utility value as its value.

The Value of Western Economic Definitions

Below is an analysis of the value defined by Western economics. It should be pointed out that current Western economics has no value. Below is an analysis of its evolution process regarding value.

From Labor Value to No Value

Early economists, including Adam Smith, believed in the value of labor. So classical economics uses labor value as value. Classical economics "proposes a complete theoretical system based mainly on the theory of labor value. About a hundred years later, some economists discovered that the theory of labor value deviated from reality. Classical economics encounters difficulties in the face of simple facts, as it cannot provide a reasonable and perfect explanation. For example, why do prices of wine vary significantly across different eras.^[9] This led to the "marginal revolution" in the history of economics. Three economists (known as the "Marginal Three Heroes") proposed replacing the traditional objective labor value theory with subjective "marginal utility value theory".

The marginal revolution has led to the division of economics, while political economy still adheres to the theory of labor value, while mainstream Western economics has abandoned labor value or even value. Explain the results with Professor Wang Fuzhong's explanation: "Although marginal utility theory has solved the problem (referring to explaining the price changes of alcohol) However, it also triggered a split in economic

value theory. Is it objective that supply factors such as labor, capital, land, etc. determine value. It is still subjective marginal utility that determines value. Marshall came out to clean up this mess. Firstly, in the principles of economics, Marshall unified value and price. Value is price, and there is no need to detour through understanding value to understand price. By directly understanding prices, economics no longer deliberately distinguishes between value and price ^[10]

This is the current state of Western economics, where there is no value theory and no value.

Error Analysis in Western Economics

As we mentioned earlier, value is not a necessary term. Economics can have no value, but it cannot reflect the "pursuit" of economic society, because the pursuit of economic society objectively exists. So, when Western economics describes the economy and society, it cannot avoid the pursuit of content. That's why it must be priced. But it does not understand that people pursue price, which is a measure of utility value in a market economy. So, Western economics is using price, but it is not known that it is actually using utility value.

Simply put, Western economics is actually using utility value because it measures the price of utility value. However, the lack of understanding of utility value leads to a lack of understanding of the meaning of price. This resulted in a series of errors.

VI. Conclusion

Value theory is important because it determines whether economics is scientific economics. Economics with incorrect value theory cannot be scientific economics, so Gao Hongye pointed out: "Practice is the standard for judging truth, and the theoretical system of Western economics does not fully meet the requirements of science... The theoretical system of Western economics has not yet passed the test of practice. ^[11] It is not scientific economics that naturally cannot explain market economy. Professor Zhang Weiying said, "Understanding the market is not an easy task. Since Adam Smith, even within economists, the debate about market economy has never stopped. ^[12] Furthermore, after the reform and opening up, China's economy grew rapidly and created the "Chinese miracle". However, economists seem to be unable to explain it clearly. So, Mr. Xia Bin, Counselor of the State Council, said, "What is the theoretical secret of the 'Chinese miracle' in the discussions so far? The understanding is not unified, and it is difficult to form a consensus. ^[13]

Building the correct value theory is the foundation for building scientific economics.

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