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*Money and value: a synthesis of the
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Abstract: The paper proposes a synthesis of original institutional economics and in particular of the work of John R. Commons with the state theory of money, constructing a theoretical framework for the analysis of economic value in relation to money. The argument developed resists the naturalistic, individualistic, neoclassical analysis of value, proposing an account based on antagonism and negotiation framed by social institutions and more specifically by the institution of money. Money plays an active role in the process of the constitution of the system of prices, creating possibilities of mediation in the conflicts around the distribution of social production and contributing towards the establishment of 'reasonable value' in economic transactions.

Keywords: reasonable value, institutions, social antagonism

Introduction

One could argue that value is one of the most important concepts in economic analysis; it provides the necessary measure for the comparison and the exchange of commodities, allowing for the constitution of the market and the division of labor. Economic agents rely heavily on economic value and they predicate all their market interactions upon the given, or the expected, prices of commodities and services. The aim of this paper is to investigate economic value and its relation to money, based on a combination of the state theory of money, or chartalism, (Ingham 1996, 2004, 2006; Innes, 1913, 1914; Keynes 1930; Knapp 1924/ 1905; Wray 1990) and

original institutional economics (Bush and Tool 2003; Commons 1934/ 1961; Foster 1941/1981a, 1949/1981b; Tool 1986, 2000; Tool and Samuels 1989; Veblen 1899/1994). Original institutional economics, in particular, emphasizes that what is seen as valuable, as well as rational or legitimate, is influenced by social rules that create a plurality of systems of evaluation organized around their own criteria. Institutions other than the market and factors other than the forces of supply and demand have a purchase in the formation of the price system. The reliance of economic value to institutions can be further elaborated using the concept of 'transaction' and the principle of 'reasonable value' both introduced by Commons (Commons 1924, 1924/ 1957, 1934/ 1961).

Money should be analyzed as an institution that supports and organizes the process of economic valuation rather than just a medium of indirect economic exchange (Papadopoulos 2009). Two of its most recognized functions, namely those of a store and a standard of value are connected to economic value. The comparison and the appraisal of the analysis of economic value, its meaning and its constitution, across the different theories of money can be employed as the frame for the analysis of economic value of its meaning, of its preconditions and of the relation of value to money. The conceptual analysis of value should also refer to social ontology in an attempt to illuminate the foundations of the notion of value. In order to include all the social and institutional determinants of valuation, it is important to reorientate the analysis of value away from individualism and to connect it with the theory of social existence, in order to liberate economic value from psychologism and to dispel the scientific pretense of the neoclassical analysis that is deeply invested in the ideas of rationality, naturalism and individualism (Mirowski 1991a, 1991b).

The structure of the paper is as follows. In the next section some preliminary remarks about value are made, describing the properties of economic value, its relations to price, money and utility. In section three a criticism of the neoclassical analysis of price and money is offered focusing on the shortcomings of the quantity and the commodity theories of money. Section four analyses economic value from the perspective of the state theory of money, or chartalism, explaining the relevance of power and of antagonism in the process of economic valuation. Section five builds an institutionalist analysis of economic value, by employing the work of John R. Commons and particularly notions of transaction and reasonable value. Section six concludes, offering a synthesis of the analysis of money as the institution that regulates valuation and allows for the government to intervene and mediate on the antagonism around the organization of the system of prices.

Understanding value

Value denotes worth, utility, price, and usefulness; these descriptions suggest the allegiance of the notion value to a pragmatist attitude, a notion that combines utilitarian, economic and ethical criteria. Dewey observed 'that praise, prize and price are all derived from the same Latin word; that appreciate and appraise were once used inter-changeably; and that 'dear' is used as equivalent both to 'precious' and to 'costly' in monetary price' (Dewey 1939/ 1988, pp. 195). Along with pragmatism comes also the practical sense of value and its ability to order and quantify; quantification is possible through the reduction of the properties of valued objects to a common quantity that gives value its uniform content. The most familiar example of value today comes from the market, a system of exchange and valuation that organizes all commodities in terms of their price, which is expressed by a shared unit of account.

When we speak of value, we need to refer to an object. Still, the valued object does not acquire a new intrinsic quality when someone deems it valuable; it is valued because of the appreciation of the qualities that it has, while its meaning and its identity are not affected by the question of whether or not it has a value and how much this value may be. Consequently, value is not a feature or a property that is part of the identity or the 'nature' of the objects; value is not intrinsic to them and cannot be 'inferred from their mere natural existence or content' (Simmel 1900/ 1990, pp. 59). Value is relative and dependent on the intentionality [1] of the observer(s), while valuation emerges as an individual psychological occurrence that is situated in subjective consciousness; it is a judgment conferred upon an object by a subject and remains inherent to the subject. [2] In that respect evaluation is akin to intentionality, a directness upon the word that creates a new representation of objects organizing them in a system of valuation.

The subjective basis of valuation does not preclude the possibility of a shared system of values or a collective valuation of objects. The fact that value is a subjective mental-state indicates that value is ontologically subjective, i.e. that it exists because of subjective attitudes and that it is located in the mind of the subject. Ontological subjectivity does not preclude epistemological objectivity; the content of valuation can be dependent on specific traits that are shared and can be appraised by inter-subjective criteria. Narratives and institutions raise value from the domain of subjective valuation into an inter-subjective organizing substance. As long as value has to follow certain rules and be part of a specific conversation, certain criteria

of appraisal arise that exceed the individual and refer to the collective. When we talk about aesthetic, economic, moral, or political value, we need to refer to a standard, a narrative and a set of institutions that provide valuation with content and a set of criteria of appraisal. The passage from subjective to inter-subjective value is premised upon the emergence of a shared, collective intentionality that constitutes shared valuations. The negotiation of individual valuation in the social domain marks this passage to a shared inter-subjective valuation that is collectively acknowledged. The system of prices is an example of how individual judgments of value can lead to a coherent system of valuation that is accepted by the group of individuals participating in a market. The constitution of inter-subjective valuation allows for the possibility of an objectivity of value, an objectivity that is epistemological rather than ontological.

The constitution of economic value is a process of abstraction and insertion of objects, subjects and relations in the price system with the mediation of money. [3] Commodities need to forgo their qualities and become interchangeable in terms of price; their identity becomes irrelevant, while their qualities are reduced to the absolute quantity of economic value. Money dissolves the particularities of objects, fixes them as commodities and creates the system of prices as a system of meaning. Money expresses the content of commodities, economic value that organizes them around the discourse of the market giving to the system of prices a uniform organizing substance. Signs of utility, cost, beauty or personal attachment are reduced to economic value and employed as a support of the system of prices. In a further move that completes commodification, the qualities of the objects that are commodified, are called back as the rationale of their price (Papadopoulos 2011, pp. 53-54).

Ronald Coase delineated the subject-matter of economics, as everything that can be quantified by the 'measuring rod of money' (Coase 1994, pp. 44). The imposition of the economic logic on social reality passes through the re-constitution of society as a market. Prices communicate the content of social constitution, organizing a signifying chain where all commodities are inserted as signifieds of economic value in accordance to their prices. Signification is regulated by money, the standard of economic value, which supports and quilts the signifying chain of commodities, effectively constituting the system of prices. Economic value, the ultimate meaning of all commodities and services in the market, remains nonetheless relative, a relativity that is never eliminated but always remains obscured by money. All commodities need to refer to other commodities and in the final analysis to money

in order to establish their value. Money refers only to itself. The self-referentiality of money constructs the ultimate foundation of economic value. Money inserts all commodities in the signifying chain by subsuming their differences to a uniform substance (difference reduced to identity). Value, the organizing substance of the economy, is anchored onto money, and money as the abstract standard of value can organize the system of commodities, exactly because of its self-referentiality. [4]

The fallacies of the neoclassical analysis on money and value

In mainstream economics, the relation between value and money is explained by two interconnected theories; the commodity theory of money that defines money as a medium of exchange, emerging as the unintended consequence of the activities of utility maximizing individuals, and the quantity theory of money that explains the value of money via the dynamics of its supply and demand. The two theories share a commitment to rationality, individualism, and equilibrium dynamics as their main methodological principles at the same time as they propose formal representations of their content as the expression of their scientificity. A criticism of the foundations of the neoclassical analysis of the relation between economic value and money is developed in this section of the paper, explaining why these two accounts of economic value and of money are insufficient, effectively clearing the ground for an alternative explanation of value that draws from the state theory of money and from original institutional economics.

The commodity and the quantity theories of money put utility in the center of their analysis of value. Consumers aim at the maximization of individual utility through the employment of their resources in the market. Utility as the foundation of economic value allows for the possibility of the naturalization of the concept of economic value; by referring to utility, value can be traced to the natural psychological make up the individual and the causal (i.e. scientific) laws that regulate the satisfaction of the individual needs and desires. Still, the investigation of these causal laws is relegated by mainstream economics to psychology and the factors that influence the individual calculations of utility are placed in a 'black box'. Value is revealed through consumers' subjective preferences and their actions to satisfy their preferences through bilateral exchanges. Simply put, economic value originates in utility, with price being the measure of value and value a measure of utility. [5] Economic value is consequently defined as value in exchange; it expresses

the exchange relations of each and every commodity with all the other commodities in the marketplace expressed by a universal unit of account.

The commodity theory of money, suggests that money and the system of prices emerge as the unintended consequence of bilateral commodity exchanges, but the conditions for the constitution of an all-encompassing and fully developed system of prices from bilateral barter exchanges is not theoretically specified. The passage from bilateral barter exchanges, established on the basis of individual preferences, to free market equilibrium and the supporting system of prices is by no means automatic as the representation of the market as a system of equations suggests. The question is of course how a universally accepted unit of account emerges from bilateral exchanges and as a result it facilitates the quantification of value, its uniform expression in the market, and the equilibration of supply for all commodities at a single price. The problem is quite complex because if the starting point of the analysis is the usual assumptions of complete information, unlimited computational capabilities and absence of time constraints are used to specify the trading agents (as in general equilibrium theorizing), no need for a unit of account emerges (Hahn 1965), and if a more realistic description of the transacting parties is used then the task of calculating the exchange rates and translating them to a uniform standard becomes nearly impossible (Davies 2002, pp. 15-16; Ingham 2004, pp. 25). Even if one accepts the, *prima facie* unrealistic, assumptions of complete information, rationality, and maximization, bilateral exchanges of commodities cannot lead to the emergence of a common commodity standard, i.e. to the constitution of a shared unit of account, exactly because bilateral trades do not convey information in terms of value for any further bilateral exchange, but rather manifest comparisons of individual wants. [6] The comparison of individual needs does not add into the emergence of a general standard of value, since bilateral exchanges only refer to the very commodities exchanged and the individual valuation of these commodities, rather than to a generally accepted means of exchange, that can lead to a generalized measurement of value. In the standard Walrasian story, and subsequently in the general equilibrium analysis, the problem is resolved through the introduction of an 'auctioneer', a *deus ex machina*, who calls out prices and quantities, overseeing the process of 'tâtonnement', a process that presupposes, rather than produces, prices and money.

The commodity theory of money argues that the value of money is a consequence of its commodity nature and the utility that its use offers. The establishment of fiat money has cast doubt on the validity of the description of money as 'just

another commodity', championed by the commodity theory. Fiat-money tokens are intrinsically worthless, while their cost of production negligible and consequently their supply completely elastic in relation to demand at least endogenously. The exchange of valuable commodities for worthless tokens, or objects that do not have a utility in themselves, has been recognized as a paradox already at the early stages of the commodity theory. [7] Nevertheless, neoclassical analysis insists that even in the case of fiat money it is the forces of supply and demand, and ultimately the utility of money, that define the value of money, as in the case of every other commodity. Explaining money in terms of supply and demand gave rise to the quantity theory of money, already formulated by Hume in the 18th century and still reigning today, updated to the contemporary versions of monetarism. The quantity theory does not spend too much time on the questions of what money is, or how it finds its way in the economy. The main question of the quantity theory occupies itself with is how much of money is demanded at any given moment (Ingham 2004, pp. 20). A mathematical expression of the (updated) quantity theory of money can be written as follows: $MV + MV' = \Sigma pQ = PT$. Notes and coins in circulation are represented by (M), while checkable deposits are (M'); V s are the velocities; p the monetary price of any good; Q its quantity and P the general level of prices (Ingham 2004, pp. 21).

Two important questions remain open in the quantity theory; the problem of the identification of the money supply, or as it is presented in the related literature, the problem of an empirical definition of money, as well as the question of the mechanism of transmission whereby a change in the quantity of money influences the level of prices. The two problems are obviously related; if one cannot identify money proper, then it is difficult, if not impossible, to establish an empirical relation between the quantity demanded and the prices. The problem of identification relates with the distinction between money and credit, a fundamental problem also for the commodity theory. [8] As long as credit is considered to be a substitute for currency, and not as money proper, it is not included in the quantity of money, and the analysis cannot take into consideration the money created by financial intermediation. As the operation of commercial banks becomes more developed and different types of instruments are created to facilitate deposits and credit, the quantity theory is unable to provide a reliable measure for the quantity or velocity of the monetary value, and of the different types of money, near monies and money substitutes that circulate in the market. The different types of money that the quantity theory proposed in order to demarcate money proper from its substitutes range from M0 and M1 reach up to M8 (or even M10), in order to cover the different instantiations of assets and credit money (Kaufman 1969; Laidler

1969). The plethora of near monies is indicative of the impossibility of the task of the empirical definition of money and without a clear identification of what money is, it is also very difficult to explain the relation between the quantity of money, its velocity, the level of prices and in the final analysis of economic value.

A different explanatory gap of the quantity theory of money refers to the fundamental relation of the quantity of money and to the level of prices. It is not clear how the quantity of money influences the level of prices and it is logically possible that the two quantities are not directly correlated. The only theoretical argument for the validity of the quantity theory seems to be the intuition, that money as any other commodity fluctuates in value depending on its supply; more money, less value, higher prices and *vice versa*. The theory assumes that money is a commodity, or functions as one; if the commodity identity of money is the only support for the relation between quantity and price the explanation is circular. In absence of any further theoretical argument, it is conceivable that high prices lead to an increase in the supply or/ and in the velocity of money, suggesting a causal relation in the opposite direction than what the commodity theory suggests. Money can flow towards high prices in order to avoid further increases in the price level (see for example the price/ money movements in the stock market or the behavior of agents in an environment of hyperinflation).

The quantity theory cannot establish the relation between the quantity of money and the price level, except through a tautological explanation that follows from the commodity identity of money, stemming from the commodity theory of money that relates to the quantity theory. The relationship between the quantity of money and the level of prices cannot be established empirically, since the supply of money is neither tractable nor quantifiable, as long as money proper cannot be demarcated from credit and other money substitutes. The failures to define economic value in an independent and satisfactory manner is the outcome of a fundamental misunderstanding of the identity of money and of value, which is caused by the attachment to the dated commodity theory of money, and to individualism, both methodological and ontological (Papadopoulos 2009).

Neoclassical analysis of money and of economic value does not seem to be able to go further from a formal description of the flow of economic value and commodities described by general equilibrium dynamics. In the context of general equilibrium, money is redundant and indistinguishable from other commodities, while economic value remains caught in its tautological relation to utility and price. The function of money is to maintain the appearances of consistency and legitimacy of the price

system; it emerges as a self-referential measure of value, with no qualities in itself, that reduces the qualities of all commodities to the absolute quantity of an ever elusive economic value.

Value and the state theory of money

The starting point of the proposed analysis of money is the outright rejection of the idea that there might be an optimal quantity supply of money and consequently a value of money that is determined by the propensities of the 'real' economy. The production of money is considered to be distinct and relatively autonomous from the production of commodities and the system of prices is the outcome of a process of negotiation and conflict between different stakeholders in the economy; between capital and labor, between producers and consumers, and more importantly between debtors and creditors with the government being the arbiter of these negotiations (Ingham 2004; Ferguson 2008; Tool and Samuels 1989). Institutions and social discourse, including scientific theories, provide the structure for this negotiation, with money playing the pivotal role in regulating and symbolizing the system of social exchange; the relation between capital and labor is represented through wages, the relation between consumers and producers through price, the relation between the state and its citizens through taxation, and the relation between debtors and creditors through interest rates. Economic value should be defined and subsequently quantified in the context of the institutional framework of the social negotiation of value, which organizes commodities and facilitates the possibility of their purchase. [9]

Value and money are not defined in exchange; it is rather that the terms of exchange that are the outcome of the negotiation around the constitution of value that is regulated through money. The very notion of value originates in the social obligations that are constituted and organized by the fundamental social relation between the individual and the community. The notion of *Wergeld*, or 'honorable payment', the primordial means of compensation for damages, is the predecessor of social and economic value. The elements of sacrifice and debt as formative of the fundamental social bond provide the historical roots of value and of the process of social valuation. [10] The origin of value in *Wergeld* is not just a historical fact, but also an indication of a fundamental structure that points to a theoretically coherent explanation of economic value, which organizes social facts in terms of a shared social narrative. The organization of the system of social relations in terms

of indebtedness, suggests that the very act of valuation and the concept of value, predate the market. [11] The remuneration of compensations sets the foundation for a cardinal taxonomy of different social relations, integrating the various aspects of social life in an overarching taxonomy and introducing the very possibility of evaluation and comparison of different social facts, elevating value from the individual to the communal level. The hierarchy of obligations defines the position of the individual in society on the basis of a system of social indebtedness towards its group and the community.

The important distinguishing characteristic of the institutional account of value is connected with a critical stance towards individualism. Individualistic analyses of utility are problematized in the sense that the attitudes and the habits that inform utility are considered to be socially conditioned. Customs and institutions are not just forces that influence social valuation, but rather they are the primary source of utility assessments and consequently of value. Value is primarily a social construction, rather than an individual calculation. The difference seems small initially, but is methodologically critical. In neoclassical analysis each individual comes in the marketplace to satisfy its needs and desires, resulting to a market system of valuations that is expressed in the system of prices. According to the institutional analysis, the social interaction creates the needs at the same time as it suggests the means of satisfaction. The resulting system of valuation, even though can assume the same format, i.e. it can manifest itself as a system of prices, is the result of culture and institutions that are in a mutually constitutive relation with individual needs. In this theoretical framework, the individual and its preferences are not exogenous and are not relegated in the study of individual psychology, but rather fall inside the scope of the institutional analysis.

Money is related to the system of social hierarchies and obligations, where value emerges. According to the state theory, money proper emerges only with taxation, which signals the establishment of authority as the ultimate judge and mediator of social relations. Taxation is the standardization and quantification of the system of social relations and obligations, which is organized around the imposition of a uniform standard of value. The passage from *Wergeld* to money proper and from social indebtedness to taxation is an outcome of the centralization of agrarian societies, of the resulting division of labor, of the production of a surplus and the emergence of a leisure class. The division of labor between productive and unproductive groups in society requires a formal mechanism of redistribution of resources that can safeguard the survival of all the classes and the rationalization

of the system of distribution. The social bond, and the consequent sense of social indebtedness, is presupposed; the distinguishing characteristic of money is that it emerges as the institution only when production and distribution emerge as relatively autonomous spheres of life, obeying economic and subsequently monetary principles. The creation of an economic logic is marked by the emergence of money in a similar vein as the passage to history is defined by the introduction of writing.

Money is valuable because it is established by the state as legal tender. Nevertheless, the acceptability of money is not just the outcome of a mere declaration. The state supports the status of money as legal tender and substantiates its value through taxation. Currency is a debt of the state towards the community, issued at the name of that community. Taxation functions not only as a way for the state to amass resources; it is also a mechanism through which the state-money/ state-debt is neutralized. The acceptability of money and the operation of the economic system depend on a continuous process of payment and repayment, 'that is flux-reflux of debits and credits' (Ingham 2004, pp. 83). As long money is fiat, the expectations about the future price of money depends on the credibility of the monetary authority, its commitment to maintain a responsible monetary practice, and the ability to exhibit its resilience and independence on the face of challenges from different stakeholders of the economy, which aim to interfere with monetary policy in order to influence the value of money and increase their revenues from the social production.

The state intervenes in the social antagonism for the division of the social production, both through fiscal and through monetary means. The monetary system is one of the main mechanism that such economic policies are implemented, directly in the case of monetary measures, indirectly in the instances of fiscal interventions. Government policies tamper with the value of money and the system of prices effectively intervening in the distribution of goods and services. The state can influence the value of money through the control of the interest rates and through intervention in the foreign exchange markets. The interest rates do not only regulate the relations between debtors and creditors, they also have an indirect an impact on the overall economic activity and the relations between producers and consumers through its repercussions on investment and savings. The manipulation of the external exchange rate affects directly the domestic system of prices. The state is the biggest debtor and creditor in the economic system, and because of its size and its role in the economy, it determines with its choices the direction of the economic growth, effectively influencing the relative value of commodities, resources, and

services; 'it also determines its [money's] substantive value by influencing what must be done in the economy in order to earn the income to pay the tax' (Ingham 2004, pp. 84).

The monetary and the fiscal policies allow the state to change the value of money effectively transforming the economic relations between the economic agents. The monetary system is not a set of mechanical relations between public spending and the level of prices but rather the outcome of the policy of an agent that lies in the center of economic and social antagonism. In this context money emerges as an autonomous institution in the economy, one that is constituted according to its own rules and norms. These rules and norms define the value of money and the system of prices. In order to investigate the dynamics of economic value we need to investigate the dynamics of social antagonism in the context of the monetary institutions that shape and regulate the process of economic valuation.

'Reasonable value' and 'transaction'; an institutionalist contribution in value theory

An analysis of value that recognizes power and authority as central forces in the process of social valuation cannot be complete without the discussion of the principles and the theoretical framework for the analysis of conflicts of power and interest, and an account of the constitution of a system of prices. The notion of 'reasonable value', which was introduced by John R. Commons, can direct such an analysis of economic value. [12] Reasonable value developed as part of the broader theoretical research program on the resolution of economic disputes and of the necessary institutions for their administration. In the core of this program lies the question of the 'formation and distribution of social welfare' (Commons 1934/1961, pp. 679), a problem that is also related to the establishment of the monetary system. Along reasonable value, Commons defined the important notions of 'economic transaction' [13] and 'institution' [14], effectively laying the foundation of institutional economics as we know it today.

Reasonable value is introduced in an attempt to explain the process of valuation in the many instances that the market is unable to calculate the price. [15] The failure of the market combined with the absence of a 'neutral' mechanism that can establish but also legitimize valuation open the space for the antagonism between the agents that are directly involved in the possible transaction, the seller and buyer, but also of other agents in the society that may have a stake in the specific transaction.

Valuation becomes then the object of social dispute to be decided by collective action, the result of which is the introduction of 'administered/ bargained prices', constrained by the forces of supply and demand, by power relations, informal custom and institutional rules. Collective action, for Commons, has a much broader meaning here than the mere aggregation of individual actions that characterizes an idealized 'free market'; collective action is perceived by the acting individuals as the institutional framework of rules that regulates their actions, including the unorganized custom, the laws of the state and the common law of the courts, the activities of groups and organizations such as trade unions and business firms and any other mode of action that society sanctions of, or imposes to, its members. The task that institutional economics sets for itself in the process of the analysis of reasonable value is two-fold; on the one hand it needs to outline the theoretical principles for the correct evaluation of the reasonable value in the absence of the market price. At the same time it should describe the institutional structure, i.e. the collectively accepted rules, that should regulate the negotiation of the price but also enforce its acceptance by all parties.

Commons proposed a set of general and abstract factors that should direct and substantiate the research of the content of reasonable value. These principles were introduced and developed by Commons both in his book *Institutional Economics* (Commons 1934/ 1961) as well as in an earlier paper entitled *Reasonable Value* (Commons 1924), which is exclusively dedicated in their analysis. Efficiency, scarcity, sovereignty, custom and futurity (in the sense of forward looking), are the factors that substantiate reasonable value, but also condition economic behavior in general. These five factors are devices that can direct empirical research, organizing the theoretical system necessary for the analysis of the facts gathered, facts that should also be used to enhance our understanding of the theoretical framework used. The outcome of the research around the constitutive factors of reasonable value can contribute to the development of a more general theory of economic value, as it is shaped by social antagonism, comprised of elements of institutional analysis and 'negotiation psychology' (Rutherford 1994, pp. 15). Such research tries to capture the complexity of real disputes and the richness of the variety of instances of negotiation around the calculation of a reasonable value.

The theoretical system for the analysis of the factors that substantiate and direct the process of the establishment of reasonable value, should be complemented by the investigation of the rules and institutions that are necessary for the regulation of the negotiation of the process of economic valuation as well as for the establishment

of a reasonable outcome expressed in prices. Reasonable *value* has also to do with the legal rules established as the *ostensible* basis on which the negotiation and the decision around its establishment are organized and explained. These rules give rise to institutional structures that gives rise to the economic system. Common refers often to custom, common law, and formal rules, while he stresses the importance of courts and particularly of the Supreme Court as the sovereign institution that can resolve disputes and constitute new rules. Courts can intermediate the antagonism around the question of a reasonable value, nevertheless it is also the government that intervenes indirectly especially through monetary and fiscal policies. The monetary system is an institution and a governance structure aiming not only to facilitate the circulation and the accounting of economic value but also to regulate the process of collective bargaining around the valuation of commodities and services. The government is actively employing the monetary system, in order to mediate the social antagonism between different stakeholders in the economy by influencing the level of prices, of wages and of interest rates. The aim of the government, if we apply Commons' analysis of reasonable value, is to intervene in the social antagonism around the constitution of prices, safeguarding a reasonable and efficient outcome, while maintaining the reliance and justice of the price system. In many cases where imbalances of power between the stakeholders, lock-ins or monopoly structures exist, government action is necessary in order to compensate for the inequalities and to safeguard the reasonableness of the outcome of the valuation. A clear understanding on the institutional and the conceptual factors that influence the process of valuation and contribute towards a reasonable value are imperative for the success of such interventions.

Conclusions

The paper introduced a theoretical synthesis of the state theory of money and of the original institutional economic analysis, referring to the work of John R. Commons and his understanding of 'reasonable value'. The synthesis between the state theory of money and the principle of reasonable value can lay the foundations of a theoretical program for an institutionalist analysis for economic value. In the proposed framework, the calculation of economic value and the constitution of the system of prices are the outcome of a process of economic and political negotiation, which is framed by a wider institutional framework that includes but is not exhausted by the market system. The state has an active role as a mediator of this negotiation, employing money as one of the main instruments of intervention

in the social antagonism between the competing groups that try to influence the system of prices. Money is not just a neutral unit of account, or a contrivance that facilitates economic exchange, but rather a system of rules that regulates the process of the constitution of the system of prices and one of the main vehicles for normalizing the social antagonism around the constitution of the system of prices and the distribution of production. The suggestion that money can be used as instrument for the regulation of economic system is by no means new. Keynes proposed the active management of the supply of money as an important tool for achieving economic objectives, and up to an extent, also the ideal of the optimal supply of money championed by monetarists, is nothing more than an indication of the ability of the state to resolve economic disputes and to achieve compromises by indirectly intervening in the market through money, so much that we could argue that money is not just an expression of the exchange relations of commodities and services but the economic institution *par excellence*. In that sense the question of social antagonism and of the 'battle for economic existence' that were addressed by Max Weber in his analysis of the relations between the economic, the social and the political, relations that are still part of the research agenda of Political Economy and Economic Sociology, could be re-framed also in 'monetary terms'.

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Endnotes

[1] 'It is important to emphasize that intentionality does not imply any special connection with intending, in the ordinary sense in which I intend to go to the movies tonight. Rather, intentionality is a very general notion having to do with the directedness of the mind. Intending in the ordinary sense is simply a special case of intentionality in this technical sense, along with belief, desire, hope, fear, love, hate, pride, shame, perception, disgust, and many others.' (Searle 2005, pp. 6).

[2] 'Value exists in our consciousness as a fact that can no more be altered than can reality itself. The subjectivity of value, therefore, is first of all only negative, in the sense that value is not attached to objects in the same way as is color or temperature. The latter, although determined by our senses, are accompanied by a feeling of their

direct dependence upon the object; but in the case of value we soon learn to disregard this feeling because the two series constituted by reality and by value are quite independent of each other.' (Simmel 1900/1990, pp. 60).

[3] 'The busiest streets of London are crowded with shops whose show cases display all the riches of the world, Indian shawls, American revolvers, Chinese porcelain, Parisian corsets, furs from Russia and spices from the tropics, but all of those worldly things bear odious, white paper labels with Arabic numerals and laconic symbols £.s.d. This is how commodities are presented in circulation' (Marx 1878/1975, pp. 87).

[4] 'There can be nodal points within the field of signification because any system of signification is structured around an empty place [here that of economic value] resulting from the impossibility of producing an object which, none the less, is required by the systematicity of the system.' (Laclau 1996, pp. 40).

[5] '[Say] went on to show that price is a measure of value and that value is a measure of utility. Hence price measures utility, from which it originated. Price measures (determines the amount of) utility, and utility determines price – well, well, well! Taken together with Say's law of market everything becomes equal to everything else.' (Foster 1942/1981a, pp. 889), reference in Tool (1998, pp. 43).

[6] 'Unless the commodities used for exchange bear some relation to a fixed standard we are still dealing with a barter [because], the parties in barter-exchange are comparing their individual needs, not values in the abstract' (Grierson 1978, pp. 16-19) quote in Ingham (2000, pp. 27).

[7] 'What is the nature of those little disks or documents, which in themselves seem to serve no useful purpose, and which nevertheless, in contradiction to the rest of experience, pass from one hand to another in exchange for the most useful commodities, nay, for which everyone is so eagerly bent on surrendering his wares?' (Menger 1892, pp. 240). A more recent elaboration of the problem along with a solution is offered in Kovenock & De Vries (2002).

[8] 'Despite the inexorable growth of bank credit-money, orthodox academic economists clung, with increasing desperation, to the anachronistic theory. Their model of money supply was in effect, an empirical generalization of a naturally constrained supply of metallic monetary base provided by a central authority (the mint) that was outside the market. That is to say, in the terminology of the late twentieth century, it was exogenous. The retention of the commodity theory and its

assumptions was achieved by maintaining a sharp distinction between money proper and credit. The credit supply was seen as the top of a large inverted pyramid on the narrower base of the gold standard'. (Ingham 2004, pp. 22).

[9] 'Hence, in a very narrowly defined sense, in a social theory of value money is value; but precisely because it is socially constituted, its invariance is not guaranteed by any 'natural' ground, and must be continually maintained by further social institutions, such as the development of double entry accounting and financial institutions such as banks. ... This stress on the importance of the legal setting of the algebra of double entry accounting is derived from Ellerman (1986), although it can be traced back to the work of John R. Commons in the 1930's. What was missing from the older institutionalist tradition, however, was a model that expressed how this expansion of value at the individual level is constrained by the social structures at the level of the market system.' (Mirrowski 1991, pp. 572).

[10] 'This analysis lends itself to the Durkheimian interpretation, whereby *Wergeld* may seem as a 'collective representation' for which the analogue is the structure of society'. (Ingham 2004, pp. 92).

[11] When Knapp is analyzing the source of value of commodity money he refers to 'real satisfaction' and 'satisfaction derived from its 'value in exchange': 'The possibility of real satisfaction is undoubtedly necessary for any commodity becoming a socially recognized exchange-commodity. If metals had not been indispensable in handicrafts autometalism would have never arisen. But there is 'real' satisfaction in every commodity which is taken in exchange. A man who barter a sheep for wooden dishes takes the dishes only because they give real satisfaction, i.e. because he can use them. But the dishes do not thereby become socially recognized exchange-commodities. The possibility of 'real' use is therefore essential if a commodity (e.g. a metal) is to be chosen as a socially recognized exchange-commodity; but this property is insufficient to make it a means of payment.' (Knapp 1905/ 1924, pp. 5-6).

[12] For Commons, money is debt as well as a means for the extinction of debt, as in the state theory of money. (Commons 1934/ 1961, pp. 473).

[13] 'The ultimate unit of activity ... must contain in itself the three principles of conflict, dependence, and order. This unit is the transaction. ... Transactions intervene between the production of labor of the classical economists, and the pleasures of consumptions of the hedonic economists, simply because it is society

that, by its rules of order [collective action], controls ownership of and access to the forces of nature [individual action].' (Commons 1934/ 1961, pp. 58).

[14] 'The formula of collective action in control of individual action, which is the 'institution', gives us a mental tool of investigation, the application of which brings together the similarities and differences in the varied and innumerable economic activities.' (Commons, Parsons and Selig 1950, pp. 34).

[15] 'Thus, one may assert that the core of neoclassical microeconomics is the theory of market-determined prices, while the core of institutional economics is the theory of administered/ bargained prices.' (Kaufman 2006, pp. 45).

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