

A pragmatic view on values in economics

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Abstract A cultural economic perspective focuses on values as they affect behavior, the valuations in various spheres as well as the valorization, that is, the enhancement or the changing of values. The pragmatic view focuses on the way values function in everyday life and in particular on the deliberations in which they are formed and expressed. Values matter; the challenge is to render them susceptible to analysis in economic contexts. The illustrations are derived from the economics of the arts.

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Do values inform our actions as economic agents? We might agree when we think about it – there are all those situations where we were (or were not) hard workers, honest corporate presidents, voters in political elections, respectful of elders, and the like. We seldom consider, however, the ubiquitous values that more subtly inform our actions in everyday decision-making. The simple act of, say, choosing from a dinner menu is a complex weighing of a host of values. Do I go for the fish and skip desert because I value physical health? Or do I join my companion in a sumptuous dinner because I value the synergy of affection it creates? One friend values curiosity and chooses from the unknown; another follows personal tradition and always selects a dish with spinach or eggplant.

Social as well as personal values come into play in choosing a menu genre. We exercise freedom of choice in going to a favourite Chinese restaurant, or going to a place where we value the atmosphere more than the quality of the food. We may seek exoneration from the compulsion to choose by dining at a restaurant where the owner decides what is being served that night. Some value the ability to choose and make their own selection, while another likes consulting with companion(s) to agree on what might be best. Some value the advice of the waiter and choose what he or she recommends. Many include prices in deliberations while others elect to be unburdened of price decisions by choosing a *prix fixe* restaurant. Or you may advance a moral value of gravity and judge this entire discussion decadent.

A discussion of values is more easily constructed in the venue of everyday-life experiences than one in terms of algorithms and constrained maximization scenarios. The latter requires thinking of something like utility, and asks us to focus on the constraints under which we choose. The pragmatic investigation of values is so much deeper than that, and includes so many more factors – or values – such as the value of the ability to choose versus the value of being exonerated from having to choose. The consideration of values makes better sense of the process of choosing and acting, at least I will so propose.

To positivists, empiricists and others who value ‘fact and logic’ over ‘vagueness and ambiguity,’ any theory of value is vague and ill-determined. For this reason neoclassical economists have given up the notion altogether. Admittedly, value is an elusive concept that usually presents itself indirectly and imprecisely. Even if we live by values, we rarely address them explicitly. Even if we deliberate constantly about our values, we do so indirectly. As a social scientist, I would like to understand what values are, how they work, how people deliberate about them, and how they use them to motivate or legitimate their actions.

This interest is fueled by the realization that values play an important role in relationships and interactions. Values have a social or cultural character: they connect people, define groups, unite some and separate others. They characterize organizations, communities and nations. When under attack, the American president invokes the values of freedom and justice; Americans rally under the flag. When threatened in their budgets scientists rally under the value of truth; when facing internal opposition they will appeal to scientific values like consistency, mathematical rigor and testability. Managers motivate their employees with values such as respect, integrity, team work, and shareholder value. Some value or another makes artists reluctant to enter the market, and prevents Westerners to prize their children in monetary terms. Values appear to be an integral part of human life. So how do we examine them?

1. DEWEY AND VALUES

John Dewey bolsters this emphasis on values. In extensive writings, this pragmatist-philosopher proclaims time and again the importance of 1) experience, 2) the everyday, 3) the relationship between knowledge and action, and 4) values. Dewey perceives values as central to our human lives: ‘all deliberate, all planned human conduct, personal and collective, seems to be influenced, if not controlled, by estimates of value or worth of ends to be attained. Good sense in practical affairs is generally identified with a sense of relative values’ (Dewey 1939: 2). He saw a problem because of the striving by social scientists for scientific standards of the natural sciences. He did not consider the methods of natural science capable of

grasping the role of values. Instrumental rationality would get us some distance in covering the field of human interactions, but we need to go beyond and consider the influence of values:

Man has beliefs which scientific inquiry vouchsafes, beliefs about the actual structure and processes of things; and he also has beliefs about the values which should regulate his conduct. The question of how these two ways of believing may most effectively and fruitfully interact with one another is the most general and significant of all the problems which life presents to us.

(Dewey 1960: 18–9)

This paper attempts to explore a cultural–economic perspective that focuses on values. For a foundation, I build upon the pragmatic stance found in Dewey’s writings (especially 1922, 1939), and in those of his contemporary advocates.² This means that I will not seek the invariant structure behind all appearances to determine values at a mathematical level. This is not a project to identify value in something as abstract as labour expended, utility, or even price. This is not a theoretical inquiry for the sake of more theory, nor a proposal of a theory different from that of the conventional neoclassicists. This is rather a theory to cope scientifically and practically with the phenomena of values. I aim to elucidate the practical consequences – as in the choosing from menus and dealing with the arts in the economy – of values. I will follow the advice of Rorty to focus on the ‘location of rationality in the activity of inquiry and communication’. The importance of deliberation (the inevitable ingredient of Deweyan reasoning) connects with earlier preoccupation with rhetorical practices (Klamer 1984, 1988). I will not be satisfied to merely locate and point out the role of values in economic life, or to investigate their qualities, but will try to make a few differentiations that may prove helpful in the practical situations that face us as economists and economic agents. As Dewey wrote: ‘The ultimate end and test of all inquiry is the transformation of a problematic situation [which involves confusion and conflict] into a unified one’ (Dewey LW 12: 484).

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2 THE ROAD OF VALUATION VERSUS THE ROAD OF RATIONAL CHOICE

The dominant economic paradigm seriously hampers a discussion of values among economists. Positivists, as most economists still reveal themselves to be, are averse to the notion of value. They take the road of rational choice and refuse the notion of value in their vocabulary. For them, values are subjective: they reside in the realm of preferences, and preferences are assumed to be given. When asked to ponder the subject of value, Thomas Schelling, a sophisticated and otherwise resourceful economist, can say

little more than ‘economists respond by pondering price’ (Schelling 1997). He may wish to say more but his discipline prevents him from doing so.

Others have tested the disciplinary boundaries by considering values specifically. Among them are Amartya Sen, Robert Frank, Albert Hirschman, and Robert Akerlof. But as venturesome as their spirits may be, they have only two options within the constraints of a rational framework: 1) insert some value or another into the utility function, or 2) identify values as constraints. In either case, they can do no more than identify those values and assume them to be given. The algorithm that they subsequently build into their model has to show what rational agents will choose to do given their utility function *cum* values, and constraints *cum* values. Sen (1987), for example, calls attention to values in the utility function that may overrule normal preferences. He calls such values ‘metapreferences,’ and that says it all.³ Frank (1988) suggests that the acting out of certain values can be self-serving. Being honest can be good for business, for example, and good people have a better chance of attracting other good people. Values, then, are equivalent to assets generating (economic) return. Khalil undertakes a similar attempt by distinguishing moral sentiments from ‘ordinary tastes’ (1997).

There is no question of the need of deliberation and judgment, features that will prove to be characteristic for the road of evaluation. Ken Binmore and Larry Samuels (1994) seem to take exception with an evolutionary game-theory scheme that allows for the generation of the need for norms, but their model says nothing about evaluation processes. The problem in all these cases is that values are assumed to be given and are handed down to the rational agents. There is no need to dismiss all their work straightaway – I simply want to allow for the possibility of another road, one that will urge us to at least consider the musings, confusions and deliberations about values, naming the values where possible.

For economists the road of values has been an odd one. A first scouting report indicates few, if any, travellers. Much of the traffic is crowded with popular writers who have pointed at values in the economy, like Francis Fukuyama, who stressed the importance of trust for the functioning of market economies (1996). During the last ten years or so business and political leaders have picked up the theme of values and exploited it to the point that it threatens to become inflated and meaningless. Corporations are busy (re)defining their values (customer relations, integrity, reliability and social responsibility are among the favourites), as are political leaders, usually in the realm of family values (as if efficiency and economic growth are not values). Watching these activities makes the academic traveller wary. It is therefore advisable to look back and consider the giants of our past as travellers of this road of value.

Adam Smith, for example, was a moral philosopher who pondered the values that would be required for the functioning of commercial society

(prudence being the most important), and Karl Marx preoccupied himself with the consequences of the capitalist mode of production for the dignity of each individual. Then there was Max Weber (1930) who considered the relationship between economic systems and systems of values like Calvinism and Confucianism. In much earlier eras, Aristotle and Aquinas contributed significantly to the establishment of the road of values with their philosophies of moral thinking. Aristotle's work in particular is a critical source for anyone choosing to travel the road of value. Read Aristotle and everything humans do has a moral significance. In striving to do good, people try to realize the excellent virtues, like learnedness (for a professor) and courage (for a soldier). Virtue ethics is one of the themes that may pique the traveller's interest (where virtue is that which we value in the actions of someone). There are many other writings of this genre; I recommend those that emphasize the interaction between economics and culture.⁴

So far I have used 'value' in the sense of moral, social and cultural values. Such values are qualities that are appreciated for contributing to or constituting what is good, right, beautiful, or worthy of praise and admiration. Think of values such as honesty, integrity, dignity, compassion, courage, beauty, distinction and truth. But in origin value had above all an economic meaning and meant nothing more and nothing less than the worth of a thing. Classical economics was all about the problem of value in that sense.⁵ In their attempt to account for the value of things, classical economists felt compelled to distinguish exchange from use value. Smith, Ricardo and Marx sought an objective measure of value of a good in the amount of labour that was required for its production. Use value was secondary for them but not for the marginalists who proposed that the value that individuals attach to goods is decisive. The marginalists were called subjectivists because they pointed at the human subject as the creator of value. In their view value was a subjective matter. Marshall took the discussion a step further and made it seem as if value came about in an interplay between demand and supply. And so the determination of value came to be viewed as a mechanical process devoid of moral, social or cultural connotation.

The definite divergence from the road of value came with the formalist revolution of the thirties and forties, as exemplified by the first part of Hicks's *Value and Capital* (1939), Samuelson's *Foundations of Economic Analysis* (1947), and Debreu's *Theory of Value* (1986). The inclusion of 'value' in two of these titles might seem to be a gesture to the former road travelled but the analysis in these texts shows that the practice of economics was firmly set on the road of choice.

Concern with values, however, is making a slow and steady comeback. Recall that Keynes labelled economics a moral science because he wanted it to contribute to the good of all. In his economics he allowed himself to

be guided by his own values, which were those of the typical English gentleman: *wisdom, integrity, aesthetics, intellectualism*. In contrast, the American James Buchanan (1992) identifies with the values of the rugged American farmer: *diligence, thriftiness, modesty*. To name another example, Boulding insisted on the values that he shared with the Quakers: *peacefulness, compassion, faithfulness, humility*. This proves that the insistence on positive (value-free) economics have not prevented values from playing a role in the lives and work of prominent economists. This does not mean, however, that these economists have considered values as a serious subject for economic research. They speak of them, allude to their influence, name a value here and there. A nod to values is sufficient, it seems.

Deirdre McCloskey (1996a, 1996b) goes further than that. In her earlier work she proved herself to be a committed traveller of the road of choice by showing first how sixteenth-century English farmers were rational in their management of risk, and then why economists were rational in their adherence to the metaphor of rational choice (1984). Her work on the rhetoric of economics, however, heralded her opposition to the formalist direction in which Samuelson, Arrow and Debreu had steered economic discourse. And in her conclusion of her rhetorical analysis she impinged on the value theme, concluding that sound communication among economists depends on their having proper values such as honesty, tolerance and the willingness to listen and pay attention. She continues this value theme in her recent writings (e.g., McCloskey 1996b). If she has not abandoned the road of choice, she is surely exploring the road of value with her forays into the world of virtues. 'I have gradually come to understand', she writes, 'that culture matters for economics and for the economy. [...] I believe now that an economics that wants to get the economy right has to know about ethics. And an economy that wants to get its business right has to practice ethics' (McCloskey 1996a: 187–8).

Her argument is a plea to recognize the virtues of the bourgeoisie as they become manifest in the market – virtues such as prudence, being entrepreneurial, thriftiness, modesty. With these issues she enters a discussion that belongs much more to the road of evaluation than to the road of rational choice. She objects to the inclination of the customary travellers of the road of evaluation to highlight the pagan, or Christian virtues of solidarity, charity, dignity and duty, or, alternatively, the aristocratic virtues of distinction, beauty, truth and courage while disparaging the world of commerce. Even if markets ignore or devalue these touted Christian and aristocratic virtues, they generate other virtues that are worthy of our admiration, so she argues. Much good comes about because of entrepreneurial people who are modest enough not to spend their earned income on luxury items but reinvest in productive capital instead. Thus McCloskey shows how economics, i.e., the world of commerce and markets, can affect the culture, i.e. the sphere of values, and turns Weber on his head.

She is not alone in her explorations. Robert Lane, too, argues that markets contribute to human well-being. In his thoroughly-researched book *The Market Experience* (1991), Lane turns the usual assumptions about the good and the bad of markets on their heads, arguing that work is not a disutility but rather is the main reason for the satisfaction that markets can generate. The accumulation of money, he observes, adds little to a sense of well-being. He points to a variety of positive values that market processes generate, and accordingly sides with McCloskey in her opposition to all those who perceive the market as an antithesis to anything valuable.

So far I have observed mainly economists (except for Lane), but most of the traffic on the road of value consists of anthropologists (Clifford Geertz, Mary Douglas, Gudeman), sociologists (Amitai Etzioni, Max Weber, Geert Hofstede, Robert Inglehart), economic sociologists (Mark Granovetter) and philosophers (Karen Anderson, Alasdair Macintyre, David Schmidtz). This should not be surprising as first philosophers and later anthropologists and sociologists appropriated the value concept, giving it its general meaning in the process. These non-economists provide us many of the reasons to go on, explore new territory and try out new concepts, that is, new for those of us who are accustomed to travelling along the road of choice.

ABOUT VALUES

So let's pursue the values. It does not take long to realize that they are neither here nor there. They do not reveal themselves in any tangible way for inspection. People do not have their values written on their foreheads and, if asked for them, will generally be at a loss. And if people do attempt to list their values, they are subject to different interpretations. 'Honesty' can mean 'a duty to never tell a lie' to one, and 'the attempt to be honest' to another. Furthermore these statements are subject to a definition of 'truth' – and who knows what that is? Perhaps we are looking for values in the wrong place. Are they in the heads of people or inherent to the goods to be valued? Or do they come about in interactions among people? I am inclined to vote for the latter but realize that heads and things may be carriers just as well.

Values in the general sense are qualities of goodness, rightness, beauty, virtue, truth and holiness⁶ and are different from personal values such as those attached to having an ice-cream. Upon closer inspection, however, the two values may function in similar ways. Because I value the opportunity to enjoy an ice-cream I may just have one. Yet, for health reasons, I made a promise not to have an ice-cream, and would feel bad about breaking my promise. So what will I do? Will the personal value win out over the moral value? The winning decision may evolve from a context

that extends beyond the dilemma at hand. The value of promise, after all, transcends the personal value of liking ice-cream. My moral reputation may depend on keeping my promises (or not); my having ice-cream (or not) is likely trivial to it. As van Heusden (1996) argues, we need to be attentive to the way in which values function. Dewey would direct us to the action that comes with experiencing a value. I may passionately plead the value of keeping promises, and yet will have an ice-cream anyway. I may recognize the value of modern art even though I personally do not care for it and would not sacrifice a penny for the right to hang a modern painting on the wall of my living room (even though I may agree to a subsidy for my town's modern art museum. This does not necessarily mean that I am hypocritical; it is only that the values of justice and art function differently from the more personal values.

When we watch how these values function in our lives, we will notice that they tend to be hierarchical. Moral values rank above personal values. Few people would understand the person who values his cup of coffee so much that he continues to hold onto it when a nearby child is about to run into an oncoming truck. The value of immediate satisfaction is of another nature than the value of a human life. Whether a photo-journalist should value a human life over his professional career (that can get a big boost with the picture of a person about to be killed in a fire) is slightly different scenario, but no doubt we can expect near consensus about what is right. Some values, the moral ones, aspire to be universal and transcend any personal, social or cultural context. There is no proof that such values exist. Philosophers, most notably Kant, have tried to articulate them, but fail time and again (Bok 1995). The interpretation of virtually any general value we know is subject to the immediacy of its cultural or social context (Smith 1988). We are left to concur with Dewey: values are not fixed, nor are they out there waiting to be revealed. Values need to function to make sense.

The traveller of the road of value is destined to encounter the notion of culture. Along the road of choice one will look for it in vain: culture enters when the discussion turns to values. What Dewey referred to as 'experience' would become better recognized as 'culture'.⁷ Culture, in its general anthropological sense, is often defined as the values that a group of people share and with which they distinguish themselves from other cultures. Academic economists form a culture in so far as they share values that differentiate them from, say, business economists and academic sociologists. Although the inclination is to study culture *per se*, it reveals its meanings best in contrast to other cultures. The notion of culture alludes, therefore, to the existence of distinct realms of values so much so that a person that tries to cross from one culture (that of academic economics, say) to another (that of academic sociologists) has to adapt his or her values in order to function in that other culture.

It is the same, apparently, with switching from the road of choice to the road of value. Where the traveller along the road of choice is accustomed to think in universals that are immune to cultural context (rational agent, markets), the traveller of the road of value considers and appreciates differences among people and situations. Where the travellers on the road of choice speak a language that has developed in terms of economics, the latter group speaks in terms of cultural differentiations. The cultural economist may, for example, want to distinguish the Dutchness of the economy in The Netherlands as something that is quite different from Frenchness, forcing the language spoken on the road of choice to splinter and expand. The notion of culture indicates that values are interconnected and come in clusters. McCloskey (1996a) recognizes as much in her distinction of different value systems though she does not (yet) fit her analysis in a cultural framework.

Travellers on the road of value face a world of transactions and interactions that is immensely larger than, and somewhat unrecognizable to, the world of the traveller on the road of choice. Whereas the 'choice' group focuses on the moments of exchange, the language of the 'values' group acknowledges values generated, produced and sustained in non-market type of transactions.⁸ The values of beauty, friendship and love do not come about in market situations but rather flourish in social and personal settings that bar explicit pricing, i.e., measurement in monetary terms and quid pro quo. This is not to say that the market milieu is devoid of social and cultural values. As McCloskey and Lane point out, engagement in the market engenders a variety of social values such as prudence, foresight, entrepreneurship, creativity, communication, and customer-orientation. Yet, so many values – particularly the vulnerable ones of the good, the beautiful and the true – easily get lost in the melee of the market place and need the haven of a social and personal life to develop properly; i.e., shelter from the brute-force of the market life.

As Dewey and Rorty insist, students of values will do well to take the process of deliberation seriously. They will have to be interpreters, able to read the complex texts that their subjects generate, to identify the distinctive values. A cultural economist has to learn new skills, many of which may prove to be quite useless. The usefulness of methods of mathematical modelling along the road of value remains to be seen. There is no doubt, however, that models are less of an obsession along this road than they are along the road of choice.

VALUATION, EVALUATION, AND VALOURIZATION

'To value something is to have a complex of positive attitudes toward it, governed by distinct standards for perception, emotion, deliberation, desire, and conduct' (Anderson 1993: 2). Elizabeth Anderson stresses the

plurality of our values: we can value a good for all sorts of reasons. The plurality of values may account for internal conflicts (like when we laugh at a sexist joke and are embarrassed by that). To evaluate is to make sense of a valuation. While valuing something can be a spontaneous process – a musical piece stirs us, or a painting strikes us – evaluation involves the conscious reflection on the reasons for a valuation.

[6] Cultural economist David Throsby draws attention to the plurality of values, including those that are aesthetic, spiritual, social, symbolic, and historical (Throsby 2001: 29). As an economist is wont to do, however, he subsequently treats the values as given, as inputs in an economic valuation process. Cultural values are then preferences that people hold – as if they knew them beforehand. In reality, values come about by experience, without which the sorting through, evaluation, revaluation and devaluation processes have no basis.

[7] Values may change. People develop values and adopt new ones. They may learn to develop a positive attitude. In the language of economists we would say that they acquire their taste (see, e.g., Throsby 1994 and Bekker 1998). Dewey (1939) speaks of the process of appraisal, or valuation. He argues that certain preferences may turn into values when people turn their mind to them, or as he put it, have the disposition to evaluate desires. Such preferences are value candidates, as it were. Yet, this presumes that people are aware of their values, at least so I read this position of Dewey. I like the museum in town and when I come to think about it, I value it for its cultural treasures. Appraisal is more the process of putting a value to something like a museum. Yet, there is another process in which I have to learn the values that allow me to appraise the museum. It may occur because I am in the company of people who like the museum, and want to get their appreciation, or because my mind is being exposed to an academic atmosphere. These values are new to me. I would like to call this process one of *valourization*, that is, the creation, enhancement and affirmation of a value.

Valourization appears to be particularly important when cultural goods are the objects of interest. Westerners usually dislike Arabic music when they hear it for the first time, but immersed in the Arabic world they may begin to appreciate the music, especially when they become knowledgeable about it and learn to distinguish different variants. People who walk into a modern art museum for the first time tend to have some difficulties appreciating the abstract works by Mondrian, Newman, Twombly and the like; they, too, need to learn to value modern art. The context matters. When immersed in an academic setting, even the most practical students ('I'd like to make some money, you know') may learn to appreciate the value of reading and even 'studying' texts. The academic setting hopefully affirms and intensifies the values of reflection, critical inquiry and other such academic values (I would argue that my most

important task as an academic teacher is to express and hopefully impress those values on the students, more so than to instruct them in the principles of cultural economics.)

In each deliberation some valorization is going on. If foreigners point out to indigenous people that their piles of old stones are actually cultural treasures and that they are willing to pay to conserve them, the indigenous people change their perception of those stones and may even begin to value them. Get a cultural good listed on the UNESCO world heritage list, and people will value that good more. The same may happen when a painting ends up in a museum, or when it gets sold for millions of dollars at auction.⁹ In some cases valorization and devalorization work hand in hand. When university presidents advocate market-oriented research, they challenge traditional academic values. Resistance may be enormous at first, but if the pressure is kept up, some faculty will change their mind and some may even begin to appreciate doing research with a profit motive. In this case, values adjust and so a valorization has occurred – as well as a *devalorization*: academic values will function less vigorously in the deliberations on what to do.¹⁰

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VALUES AND DECISION-MAKING: AN EXAMPLE¹¹

The pragmatic standpoint directs our thinking towards the concrete and away from the abstract speculations that tend to dominate academic conversations. The following example concerns the *allocation of public money to culture*. I am familiar with the problem not only as an economist of the arts; this case happens to be one (altered a bit for illustrative reasons) I experienced first-hand as a consulting economist. It illustrates how the focus on values, valuation and valorization can work in the real world.

Inception of the idea

The director and curators of the local museum (owned by the city) have had several conversations that lead them to the conclusion that the museum needs more space. One curator notes that she needs more room for a certain collection. Some employees have complained that the current common area is not sufficient for certain engagements. The director is thinking of the museum in the next town, which has produced some magnificent exhibitions in its new wing.

As they think and talk about the idea they become more excited and more convinced of its necessity. The curator is looking forward to a better standing in her area of expertise; the museum director envisions a town known by its museum. After more deliberation, they all agree that the plan is doable and worth its construction nuisance value. They research the bids of several architects and eventually choose one from Portugal for

his reputation and prior work. They discover the addition will cost \$70 million. Now the director must persuade those in the outside world, most importantly the owners, that the venture is worth its cost.

Proposal to city council

After shocking them with the price, the museum group begins its first round of persuasion by establishing the value of the museum for the city, and the added value of a renovated museum. They do so knowing full well that they will be competing for scarce public money against high-priority projects of, say, a better paid police force, or additional public housing, each of which has its own talented advocacy. The challenge, then, is to know what values to appeal to. City officials, including not only elected politicians but also civil servants, face the task of figuring out what to do. It is an ubiquitous problem: interest groups compete for scarce resources and the political side has to adjudicate the requests within an ambiguous set of rules.

Initial deliberations

As part of their persuasive effort, the director tries to convey the importance of the art collection of the museum, the artistic merits of the expansion, and the importance of the museum as a place of inspiration in the city. The museum director, being in his own milieu, is very good here in overwhelming his audience with artistic phrases, references to artistic traditions and vistas of exciting new developments in the arts in which the museum takes part. In other words, he draws the city officials into the realm of *cultural values*. Deliberations within this realm include the value of art per se, the relative merits of one art form versus another (video art versus painting, for example), as well as specific art pieces.¹² The outcome is a *reevaluation* of the museum as a cultural good.

The director is also persuasive in his *valuation* of the cultural values of the museum, and of the added cultural values of a larger museum. He even succeeds in generating a *renewed valorization* of his museums on the part of the city officials by making them realize how unique the museum is, and what wonderful experiences visitors have. His pleas and valuations, however, fall short of swaying his political audience.¹³ They want better reasons to grant the money – after all, giving in to eloquent and learned oratory might well have them subsidizing mosques and churches.

Economic deliberations

Money – or, rather, the lack of it – is an important argument. City officials, of course, can simply say that there is no money for these kinds of

projects. Then again, some want to undertake the project because they think it will garner votes in the next election. Others are eager to please the director (the latter being an important reason in a small society like the Dutch one). These, of course, are not substantive arguments, so they look for other criteria to justify spending the \$70 million on this and not other projects. One such criterion is the economic value of the project.

Deliberation in the economic realm requires the museum group to argue upon the *economic values* of the museum, i.e., its ability to generate income for the city. These conversations are fundamentally different from the previous ones. Here they focus on economic figures, like the number of jobs created and the additional spending by visitors, particularly by visitors from outside the city. City officials, in response, call upon economists to conduct impact studies; they will take the outcome into account in their final deliberations (see Klamer 1996, van Puffelen 1987). They also weigh the economic impact of this project with alternative projects on the table.

Alas (or gratefully), economic studies don't settle the case either. One alderman is convinced by the unique cultural value of the museum, and wants to go ahead on that basis alone. But another is in doubt because the *economic impact* is less than what was anticipated. The question remains: what to do?

Still at a loss ...

They look to other values that can figure in their deliberations. One believes it will add to the creative identity of the city. Another points to the social value the larger museum will provide as a better meeting place, and could it even house new center of art education? The director claims the expansion will better serve city minorities with specially designed exhibitions. Now they have entered the realm of the social. *Social values* deal with membership, status, identity, social cohesion, integration, emancipation and the like. Issues emerge about the social functions of the museum, including its contribution to the identity of the city and its social cohesion.

Moral values did not come into the deliberations, but they might have. Some participants know what their role is and some do not. For example, bashing on someone's head when the decision goes 'wrong' is considered improper, as are cheating, threats, thumping one's shoe on the table, and so on.

Understanding the several phenomena that come into play in this decision-making process is a way to make sense of the outcome. The road to decision is lengthy, complex and difficult to retrace. Although the participants may never use the notion of value explicitly, observers can detect the valuations as well as valourization that goes on in this process.

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The valuation concerns values that are different and quite possibly incommensurable. Dewey identifies the dilemma in the moral realm: we have alternate ends so heterogeneous that choice has to be made; an end has to be developed out of conflict. The problem now becomes what is really valuable' (Dewey 1908: 192, see also Gouinlock 1972: 301–2). The problem is not different in this case. What to do if the case for the artistic values of the museum is strong, whereas its economic value is minimal? What justifies the spending of \$70 million? There is no algorithm that tells the politicians how to compute these values.

Cultural, economic, social and moral values are of a different species; they are developed, realized and evaluated in different contexts or spheres. Zelizer and other sociologists speak of circuits (Collins 2000, Zelizer 2000, Velthuis 2002) and conversations (Collins 1998). Rorty (1979) also suggests we look to conversations as the relevant context in which knowledge comes about. Artistic values come about in the conversations of art historians, artists, art critics, collectors and the otherwise art-connected. In order to develop a sense of economic valuation, fluency in the language of commercial managers, auctioneers, accountants, budgeters, and possibly, but not necessarily, economists is a prerequisite to conversation. It is not that the two circuits do not influence each other; they obviously do. When art historians rave about the cultural values of the museum, the budgeters in the city council may raise their figures. And vice versa. The point is rather that the revaluations are of a different kind and require a different knowledge; values are ephemeral things that flourish or fail and alter through conversations that take place within their own spheres.

Measurement of values

The question arises how city officials can reach a decision when facing incommensurable values and lacking an algorithm that reduces them all to the same scale. The beginning of an answer is: that is precisely what the process of deliberation is for. Ever noticed that when in doubt people talk to each other, or look up to what other people have to say? Verbal exchanges, persuasion, conversing and reading constitute an important part of daily life, yet are hardly ever considered in standard economic inquiry.¹⁴ Talk has a purpose. For one it helps people to value and evaluate, and it makes the process of valourization possible, that is, the development, enhancement and strengthening of certain values. Even so, the question remains: how does the deliberation lead to an outcome when the values are incommensurable?

The Stuart Hampshire concept of a council (Hampshire 1983) is useful. Although he uses it to illustrate how humans deal with conflicting values in the moral realm, it can just as well apply to cases like this. The idea is that decision makers hold council; they invite all kinds of positions, interests,

arguments and valuations to the table. Having heard all these, they deliberate and brood among and within themselves, and by these means make up their mind. Some decision makers will exclude parties from their table and so leave out crucial values, positions, or interests. That will bias the outcome of the brooding. Accordingly *the process is what matters* (see also Langlois 1986). *Students of the process* can determine the players, look into the values that they introduce, investigate the dominant values, and study how the deliberations influence and alter the valuation.

Extracurricular measures

The art director, fearing a less than forthcoming city council, arranges a major deal with a sponsor. In exchange for the display of a few cars in a specially constructed space of the museum, a car dealership agrees to finance part of the expansion. Both directors agree that this display has to meet certain artistic criteria. (In 1999 the Stedelijk Museum of Amsterdam actually proposed such a deal with a Netherlands Audi dealership.)¹⁵ Why wouldn't city officials welcome such a deal? After all, Audi saves the city from having to put up the money itself.

The city council voted it down, in spite of the prospect that it could not generate the finances itself. The reason? A *clash in values*. Although a private party was contributing significant economic value to the museum (Audi expected to attract customers by means of the association with a modern art museum), some politicians saw a conflict with the cultural and social values of the museum. They argued that commercial exploitation would *devalue the museum as an art institute*.¹⁶ Commerce and culture do not mix, was the argument. Was this outcome the result of a scientific study? Did the council members add up and subtract economic and cultural values? Of course not.

The decision

The parties involved argued, had dinner discussions, yelled some, called in experts, appeared on television, gave interviews, discussed the matter in the council and, in the end, the deal was called off. At another time, with other players, in another climate, the deliberations may have led to different outcome.

ATTEMPTS TO EXPUNGE VALUE DISPUTES PROVE TO BE IN VAIN

This perspective on values is not well spent on economists. Along the road of choice they avoid getting into the muck of things and prefer to look for some kind of clean algorithm that makes for a rational decision.

With such a method in hand, politicians would be able to dismiss the experts, the interest groups, and other opinion makers from their table. All they have to do in a problematic situation, as the one we just discussed, is wait for the outcome of economic research and base their decision on that outcome. So when politicians got interested in the economic value of the arts, economists provided them with economic impact studies. These, however, had a disadvantage: they did not account for the non-economic values that are especially important in the arts.

Nowadays economists provide contingent valuations and willingness to pay studies as tools for decision making (see for example Klammer and Throsby 2000, Mourato and Massimiliano 2002). The strategy of these studies is to circumvent the valuations of experts and go directly to the people who end up paying for the project, i.e., the taxpayers. The question to them is: would you want to contribute to this project and, if so, how much is it worth to you? The outcome is the economic value that citizens assign to something like an expanded art museum. In their valuations citizens will presumably take into account non-economic values such as the *option value* ('even though I never go, I might want to go one day'), *existence value* ('I like the idea that the museum is in town even though I never will go myself'), and *bequest value* ('I'd like the museum to be there for my children'). By thus providing the policy maker with a monetary figure, economists want to convince them to shortcut the endless deliberations and just do the adding and subtracting. When the citizens are willing to pay more for the expansion than what it costs, it is rational to go ahead. Otherwise they should reject the plan. If everything can be expressed in monetary terms, everything is commensurable, and rational decisions become a matter of adding and subtracting.

Note, however, that even though such scientific studies appear to be value-less, they do express important values. Economists who advance these kinds of studies apparently value the valuations by citizens over those by experts and the city officials, and thus seem to prefer a democratic process in which those who pay have a final say. At the same time they devalue the conversations of art historians and other experts.

In reality contingent valuation studies are never decisive and will be, at most, another input in the deliberations.¹⁷ This is partly due to the shortcomings of these studies (leading questions, biased answers, free riding, sample problems, to name a few). More importantly, these studies undercut the deliberations and by doing so, they undercut the processes of valuation, evaluation and valorization. The deliberations help people to develop, change and ultimately determine their values. Whereas a contingent valuation study tries to record what people value at a particular point in time, in the process of deliberation they learn to value. Just think about it. When someone comes up to you and asks what you would be willing to pay for an expansion of the local art museum, you would first

want to talk with people, wouldn't you? You may want to know what the museum director has to say for himself, what your favorite politician has to say on the matter, what your friends think. For what do you know? When in doubt, people talk and deliberate.

ECONOMIC, SOCIAL AND CULTURAL VALUES

The distinction of values in terms of economic, social, cultural and moral values helps to address other problematic situations as well, as when discussions gravitate towards economic values. This may happen when investments in cultural goods are the issue, when politicians discuss the merits of their policies, when managers define what their organizations' missions are, or when students reveal their calling in life. Everything appears to revolve around the so-called values of profit, wealth, income, economic growth or, more simply, money. Economic investments in culture need to be justified by the number of jobs they will create and increase in tourist income they will generate – as if that what culture is about. Organizations are all about profit (or shareholder value), and students declare the making of lots of money as their calling in life. It is as if the generation of economic value is what life is all about.

The same fixation on economic value can occur in scientific discussions. When Harrison and Huntington (2000) purport that culture matters for development, they basically argue that culture (in its anthropological sense of shared values and identity) is instrumental for economic growth. Pierre Bourdieu uses the notions of social and cultural capital to account for differences in economic status among people. Again, economic values are the end all.

This fixation on economic values, practical as it may be, does not make a great deal of sense. It cannot account for a great deal of human interactions. When I talk with my friend, I do not do so for the sake of economic gain. If I surmise that my friend has economic gain on his mind, he probably will not be my friend for very long.

People care, make love, converse, play, make music without considering economic value. Economic value as the be all and end all of things does not make sense. As the mythological King Midas tells us, having everything we touch turn into gold makes life unbearable. We make money in order to realize values that matter to us, like health, a good family life, friendships, status, inspiration of some kind. Money does not make us happy; if anything it is the things we can buy that are supposed to make us happy and content. Thus if I buy a nice meal (as dictated by the Italian chef), the contentment comes about not only because of my taste buds and my physical fulfillment, but also because of the companionship, the conversation and the entourage. The dinner may even give me inspiration for an article. Accordingly, the dinner helps me to realize

social and cultural values that are important to me. Those are the ones that make me content, and not the euro bills in my wallet (no matter how much I appreciate them).

In discussions on cultural projects, a similar fixation of the economic consequences can occur. Then politicians insist on knowing their economic value, that is, their value in terms of jobs, additional economic activity, and new business. Economic value, however, can only be a means towards an end. After all, you want a healthy economy in order to realize social values (like a cohesive city with a minimum of social problems) and cultural values (like the power to inspire inhabitants and visitors). A museum might contribute directly to economic and cultural values without doing much in terms of economic value.

The problem occurs in the deliberations. Because the case for economic value can be presented with figures whereas the case for cultural and social values remains qualitative, deliberations easily shift towards the economic argument. This may be the reason that pleas for cultural and social presentations are often passionate and emotional.

Lest I get accused of an unfair incrimination, let me hasten to add that economists can't be blamed for the misconception that economic values are all that matters in their work. In the standard framework, agents choose the option that maximizes their utility that obviously forces them to take non-economic values into account. When cultural values are important to them, they will act accordingly. Even so, economic analysis focuses on the valuation as it occurs in an exchange on the market. The price is final conclusion of all valuations and therefore reflects all relevant values that are attributed to a good.

When the market for a particular good, like a museum, does not work properly, economists can be called in to determine what the market price would have been. By focusing on price and pricing, however, economists overlook the valuations that occur outside the sphere of exchange. Nobody will determine the value of friendship by trying to establish a monetary equivalent. You rather weigh in values like warmth, openness, honesty, joyfulness, sincerity, and trustworthiness. Likewise, in the case of the art museum, cultural and social values make an impact even if they do not allow a comparison in terms of a monetary equivalent. Much deliberation takes place outside the sphere of exchange.

So What?

Man, as Aristotle remarked, is a social animal. This fact introduces him into situations and originates problems and ways of solving them that have no precedent upon the organic biological level. For man is social in another sense than the bee and the ant, since his activities are encompassed in an environment that is culturally transmitted, so that

what man does and how he acts, is determined not by organic structure, and physical heredity alone but by the influence of cultural heredity, embedded in traditions, institutions, customs, and the purposes and beliefs they both carry and inspire.

(Dewey 1938, 1991: 48–9)

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The focus on values, valuation and valourization encourages us to consider aspects of human (inter)action that may otherwise be overlooked. As Dewey points out, it makes us consider humans as social animals that act and make sense of life in culture, that is, within a sphere of shared values.

Mark White (2003, in this issue) suggests from a study of Dewey's ethics that his argument can be compatible with the neoclassical framework. Although he acknowledges the incommensurability of values that agents face when making moral decisions, he finds a way to accommodate for the problem in a preference function where preferences are 'rational' and 'well-informed' (p. 16–7). Apart from the question of what we gain from integrating Dewey's thinking into the neoclassical framework, my feeling is rather that the two are incompatible.

The road of value to which the work of Dewey directs us is principally different from the road of choice that neoclassical economists follow. The road of value inspires a cultural–economic perspective with an emphasis on the various values that constitute the good life and society. This is not to argue that an analysis of economic values is beside the point. Especially when the climate is biased towards economic argumentation, the determination of economic value will be persuasive. Apart from the rhetorical aspects, economic studies are helpful as they will sort out and define the costs and benefits to the parties involved. The strictly economic perspective can be a helpful framework, but it is a limiting one.¹⁸

The cultural economic perspective compels us to distinguish social and cultural values from economic values. It furthermore points us to consider the various spheres in which these values are generated, realized, and evaluated. When cultural values are the issue, actors are in need of a sphere in which they can realize the relevant values that does not suffer from the rigor and discipline of the spheres of the market and the government. In any case, in any situation, values come about in conversation; when they clash, agents will engage in a deliberation of some kind in order to be able to act. Usually the deliberation will also entail a process of valorization. Values are not fixed as the standard economic model postulates; they change in the process. In order to make sense of these processes, researcher will have to leave their theoretical positions and study values up close.

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NOTES

- 1 Economics of Art and Culture, Erasmus University Rotterdam, klamer@eshcc.eur.nl, www.Klamer.nl. An earlier version of this paper was presented at the 'John Dewey and Economic Methodology' session sponsored by the International Network for Economic Method at the Allied Social Science Association conference in Atlanta, GA, January, 2002. With thanks to referees, Elias Khalil, and participants in the seminar on cultural economics at the Erasmus university for valuable comments.
- 2 See, for example, Richard Rorty (1982).
- 3 To place Sen on this road is somewhat venturesome. In his latest book, *Development as Freedom* (1999), Sen pays plenty of attention to the importance of values and claims to occupy the Aristotelian position that would be characteristic of the road of valuation. Even though I would like him to be a fellow traveller, I think his conceptual framework still aims to accommodate the values that dominate along the road of rational choice such as analysis over interpretation, individual value over the common or the social good, and freedom over responsibility.
- 4 See especially Gudeman (2001).
- 5 See, for example, Heilbroner (1988) and Dolfsma (1997).
- 6 *Encyclopedia of Philosophy, (The)*
- 7 See Boettke *et al.*, forthcoming.
- 8 See Anderson (1993); Zelizer (1996); Klamer (1996).
- 9 Bruno Frey speaks in such a case of 'crowding in': the taste for a good increases because of an increase in its price. Crowding out happens when the taste for a good decreases because of an increased price. See Frey (1997).
- 10 Marx used the notion of valourization (Verwertung) in *Das Kapital* to indicate the creation of surplus value (thanks to Altug Yancintas for this reference).
- 11 My reference is the case of the Stedelijk Museum in Amsterdam, but similar cases can be found in towns all over the world.
- 12 See van Heusden (1996).
- 13 The case would be different when private contributors are the target. Then the director does better to stick to the realm of cultural values.
- 14 See Klamer and McCloskey (1995).
- 15 I was involved in the deliberations and discussed the matter with city officials as well as the director of the car company.
- 16 See also Klamer (1996).
- 17 Contingent valuations studies are especially common in environmental issues. There the same remarks apply: they are never decisive. The only exception is in insurance cases but mainly experts are involved in the deliberations and they will be more inclined to base their decisions on scientific studies.
- 18 See also Cordes and Goldfarb (1996); Frey (2000); Throsby (2000).

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