L'EMPIRE DE LA VALEUR (*The Empire of Value*) aims to provide new foundations for economics. While this is certainly an ambitious task, the book's author, André Orléan, is one of the best and most original economists working on the critique of, and the construction of an alternative to, mainstream economics. He is a leading proponent of the French approach known as the economics of conventions and is also closely connected with the *régulation* school. His work reflects an unusual combination of characteristics: originally trained as an engineer at the prestigious *École Polytechnique*, Orléan has both grasped the formal apparatus of modern economics and occasionally developed his own mathematical models; other heterodox economists have done the same, but Orléan is particularly open to, and influenced by, contributions from other social sciences (authors such as Simmel, Simiand, Durkheim, and Girard are featured prominently in the book). As such, he has dialogued and collaborated with sociologists, anthropologists, historians, and many others.

Readers who are already familiar with Orléan's work will note that *L'Empire de la Valeur* may be said to synthesize the main results of his research in the past decades, but it also elaborates on them and contains several new propositions. This is an excellent book that is profound, thought-provoking, erudite, rigorous, and relevant.

The book is divided into three parts, respectively titled (1) "Critique of Economics", (2) "the Institution of Value", and (3) "Market Finance".

The first part, containing three chapters, criticizes economics at a very fundamental level and is perhaps the one that many economists would find most controversial. Chapter I argues that both the utility theory of value and the labor theory of value share what he calls the "substantial hypothesis", namely, the idea that goods in markets have a substance – utility in the former theory, labor (or, more precisely, labor time) in the latter – that gives them value prior to exchanges and establishes the basis for their exchangeability. Orléan forcefully rejects this idea. In his view, the only form for expressing value is the monetary one (p. 29). Barter, with which both variants of the substantial hypothesis are comfortable, cannot be considered the simplest expression of value; it is most often observed in non-market economies and is a sign of serious malfunctioning when observed in a market economy. (This argument is developed in the second part.) The chapter also points out problems and

* About André ORLÉAN, *L'Empire de la valeur* (Paris, Seuil, 2011).

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tensions in Marx's work, because of Marx's adherence to the labor theory of value.

Some readers might be misled – by their own lack of interest in questioning the theory of value and then by the book title – into thinking that *L'Empire de la Valeur* is not relevant to them. Perhaps they will not make this mistake if they are informed that the book can be described as emphasizing the importance of processes of interaction among economic agents (especially mimetism) and the institutional foundations of markets, as shown as early as Part 1.

Orléan devotes much more space to a critical analysis of the neoclassical version of the substantial hypothesis, centered on utility. Focusing on general equilibrium theory, chapter II reveals what lies underneath "the market objectivity", which allows each person to understand reality in such an objective or natural way as to pay attention to prices and disregard other individuals.[1] Orléan considers, among other things, the difficulties that appear if one allows people to imitate others, instead of having independent and fixed individual preferences. As an important example of his "mimetic hypothesis", he mentions situations of increasing returns to adoption. Even if one continues to think in terms of utility, in these cases utility is no longer determined prior to exchanges, regardless of what other people do. Orléan also examines the "nomenclature hypothesis", according to which there is a list of goods (and their respective quality) that is exhaustive, given and known to all decision makers. This list is determined before exchanges take place, allowing utility to also be so. Resorting to the theory of asymmetric information, Orléan rejects the general validity of this hypothesis. Playing a similar role and equally questionable in Orléan's opinion is the "probabilistic hypothesis", namely, the assumption that an exhaustive list of possible future states of the world exists and is known by all agents. Chapter III criticizes the utilitarian conception of scarcity and consumption, but has a more constructive character, proposing an alternative view: a theory of mimetic competition, with each individual concerned with the others, in search of prestige.

[1] While pointing out the need for general equilibrium theory to implicitly assume institutions other than the price mechanism, the book contains only a few references to explicit analyses of such institutions that employ the neoclassical assumptions of utility maximization and equilibrium. Neither is it particularly concerned with game theory, which obviously deals with strategic interactions and which is discussed by Orléan in other works (*e.g.*, ORLÉAN André, 1997, "Jeux évolutionnistes et normes sociales", *Économie Appliquée*, 50 (3), pp. 177-198; ORLÉAN André, 2004, "L'économie des conventions: définitions et résultats", *in* Orléan André, ed., *Analyse économique des conventions*, 2e édition, Paris, PUF).

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Orléan's constructive intentions are pursued much further in the last two parts of the book, which deal with Orléan's specialty: money and finance, respectively.

The second part, on the institution of value, contains two chapters. In stark contrast with the ''substantial hypothesis'', chapter IV maintains that money is the institution on which a market economy is founded.[2] This implies that each individual is concerned with that which others desire and accept. Here again mimetism plays a major role: one desires and accepts that which others also do. Liquidity has a self-referential nature. Normally, ''individuals find the question of liquidity already solved'' (pp. 155-156). Orléan then raises the question of the origin of money. By this he means not the historical origin, but what he calls ''the conceptual genesis of money'' (using, he explains, a method that is similar to Hobbes's, in Crawford Macpherson's interpretation). Orléan performs a thought experiment that consists in imagining a developed market economy from which money is then removed. He does so with the intention of showing that such an economy cannot exist. Actors in the market must acquire liquid goods, without which they have no access to other goods. Each individual thus searches for that which the others accept. This mimetic principle results in a set of subspaces of circulation within which actors share the same conception of liquidity. Orléan insists that ''our situation without certified legitimate money is by no means a situation of barter, but a configuration in which competing representations of liquidity coexist which divide the space of commodity circulation'' (p. 159). As transactions across these different subspaces occur, there are costs of converting one local ''money'' into another and uncertainty about the exchange rate. People then search for something that is accepted in the whole economy and abandon local ''monies''.[3] If dictated only by market interests, this process, marked by positive feedbacks, leads to a unanimous convergence on an elected money (which may, after some time, be subject to contestation, with a new mimetic competition). For Orléan, it is money that makes goods commensurable and allows exchanges to take place. First comes money (as a unit of account) and then value, measured in terms of money and therefore equal

[2] For a more detailed presentation and discussion of Orléan's theory of money, based on several of his writings and comparing it with the Post Keynesian approach, see Dequech David, 2012,''Is money a convention and/or a creature of the State? The convention of acceptability, the State, contracts, and taxes'', Stanford, Mimeo.

[3] Aglietta et André develop a forceful argument for the non-viability of a market economy without a generally accepted money: the uncertainty associated with the unity of account and with what others will accept as a means of payment may prevent transactions from taking place (Aglietta Michel et André Orléan, 2002, *La monnaie entre violence et confiance*,Paris, Odile Jacob).

to price. Focusing on the *price form* of value, this approach does not imply anything about the price level for each good, which is a relevant, but separate, question.

Chapter V proposes a more general, "unidisciplinary" framework within which to think about value. For Orléan, the economic is social and does not warrant a separate discipline; more broadly, the current divisions among the social sciences should be overcome. (Although Becker and other champions of the so-called economic imperialism agree with the latter idea, they see the social as economic and the economic as that to which neoclassical economics can be applied.) While Durkheim provides the basic idea for this general framework, the main concepts include those of trust, shared affect, the potency (more often translated as the power) of the multitude, and collective beliefs. The chapter also applies these concepts to money and thus to economic value.

Financial markets are the subject matter of the third part, which Orléan describes as illustrating, and showing the fecundity of, his theoretical approach (while the previous parts are viewed as presenting its foundations). Chapter VI is a critique of the neoclassical view of financial markets. In addition to the neoclassical treatment of uncertainty (again, the "probabilistic hypothesis"), the even more restrictive idea that assets traded in a given financial market have a fundamental value, which is objectively knowable and works as a reference that is external to that market, is rejected, together with the efficient market hypothesis. In contrast, Orléan argues that Knightian (or Keynesian) uncertainty allows for a multiplicity of interpretations and expectations.

An alternative view of financial markets is developed in chapter VII. Here again appears the proposition that value – in this specific case the value of financial assets – is not determined prior to the interactions among agents in the market. Considering the stock exchange in particular and following Keynes, Orléan distinguishes between enterprise and speculation. The first is a long-term strategy, based on the comparison between current price and the present value of expected dividends.[4] Speculation,

[4] Orléan repeatedly refers to the latter as the fundamental value of a stock. Doing so after citing Keynes does not properly reflect Orléan's own understanding of Keynesian uncertainty and rejection of value objectivity (independent of market interaction). "While enterprise implies estimating the present value of the future stream of dividends, in Keynes's theory this present value must not be confused with an objective, fundamental value, determined by objective, knowable fundamentals, as in standard economic theory. Expectations about future dividends are formed under conditions of what one may call *Keynesian uncertainty* and thus are not objective, even if they are not purely subjective" (DEQUECH David, 2011, "Financial conventions in Keynes's theory: the stock exchange", *Journal of Post Keynesian Economics*, 33 (3), pp. 469-489). To be sure, Orléan later seems to separate "fundamental" from "objective" (*e.g.*, p. 306), but that is not the case in the predominant usage of the term "fundamental value" in financial economics.

on the other hand, turns the decision-makers' attention not to the economy, but to the stock exchange itself, or, in other words, to each other. Speculation has ''a self-referential nature'' (p. 270).

Keynes's treatment of the stock exchange is a strong influence, but Orléan develops his own original contribution. With a detailed analysis of self-referentially and conventional beliefs, he has greatly enriched and extended the discussion of the famous beauty contest metaphor used by Keynes to describe the stock exchange. Orléan has also gone beyond Keynes by introducing the concept of financial convention, not to be confused with that which we may call Keynes's ''projective convention'' (Dequech 2011, p. 474) and which consists in projecting the recent situation (in the stock exchange, recent prices) into the future. Orléan's financial convention is a broader model of interpretation of the economy and its future tendencies, consistent with a variety of specific expectations. It deserves special mention, even though Orléan himself explains that a detailed analysis of financial conventions lies beyond the scope of this work (p. 302).

Throughout the book, some ideas recur, revealing the repeated use of a theoretical framework in the study of different issues. Within this framework, the concept of mimetism must be highlighted, as it plays a crucial role in Orléan's understanding of both social interaction and the dynamics that lead to conventions. Perhaps less frequent in the text, but also central, is the notion of legitimacy, as a requisite for the stability of conventions and other institutions. In each part of the book, value is not objective, independent of the interaction among the individuals and prior to exchange. According to Orléan, in the very last sentence of the book: value ''has the nature of an institution''.

In conclusion, *L'Empire de la Valeur* is a major achievement. It deals with crucial issues, and deserves to be carefully read by everyone interested in the economy and in economics. Let us hope that an English translation becomes available soon, so that many more readers will have access to it.

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