

Providing Meta-Theoretical Framework of Economic Value for Fair Value Accounting: A Critical Realist Approach

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Abstract: This paper aims to sketch a sociological framework for fair value accounting based on Dave Elder-Vass's meta-theory of economic value. Elder-Vass grounds his meta-theoretical account on the social constructivist ontology that he derived from the philosophy of critical realism. Through this framework, it is shown that the construction of economic value needs to be understood at two different theoretical levels, namely at the social-empirical level as first-order value theory—which is also known as a “lay theory of value”—and at the methodological level as a second-order theory or meta-theory of value, which provides the fundamental and general principles for the theoretical construction of the former. As a result, the economic value of goods needs to be understood in materially social and empirical terms rather than a purely analytical or transcendental one, as its emergence is causally grounded on the complex interplay between social agents and structures. This paper then draws its methodological implication for the valuation system of fair value accounting in general, showing the possibility of systematizing the theoretical account of fair value accounting to improve its logical coherence while maintaining the pluralistic consensus of mixed measurement bases, and the necessity of extending the scope of analysis to the sociological level to improve the fair valuation practice.

Keywords: fair value accounting, sociology of value, Dave Elder-Vass, criticalrealism

1. Introduction

The emergence of fair value accounting can be seen as a result of various aspirations that represent a significant shift from a valuation system based on historical cost towards a more market-oriented and economically grounded approach as a reliable reference point. As seen over the past two decades, fair value has rapidly gained influence in accounting and auditing standards and has been widely adopted ever since it was initially proposed in the professional context in the 1970s (Durocher & Gendron, 2014). This is further supported by a public statement made by a prominent member of the IASB, who considers fair value as a guiding principle or 'meta-rule' (Walton, 2004: 9). Moreover, its importance is expected to continue evolving to meet the increasing demands of companies and regulators, driven by the growing significance of intellectual property in the economy, globalization, and investors' desire for more transparent and relevant financial reporting.

However, challenges arise because the fair value accounting system, although designed as an extension of market regularities, struggles to capture the dynamics of market behavior adequately. As Plantin et al. (2008) argue, the accounting regulations and the debates that surround them are only relevant because markets are not always fully liquid and incentives can be distorted. Market illiquidity can stem from factors such as limited demand, illiquid assets, market conditions, regulatory restrictions, and the complexity of financial products; while incentive distortions can arise from factors such as misaligned incentives, information asymmetry, rent-seeking behavior, political influence, and conflicts of interest. This in turn produces the condition where reliable market prices may not always be accessible to all parties, which deeply affects the accuracy of the valuation process and demands concerns to be directed further on the fundamental level.

Closer inspection shows that fair value approach does not consist of a single concept and measurement method, but rather of various notions that have highly abstract character, including conceptions about users, markets, and price formation, with the aim of estimating the exit value. This raises questions regarding the logical coherence of the Conceptual Framework, which has been one of the central topics in the debates among the standard-setters. However, a deeper understanding demands redirecting the focus of the debate beyond legal and analytical dimensions. Commentators such as Casson and Napier (1997) and Bromwich (2007) emphasize the "fictional" or "imaginary" nature of fair value, which introduces subjectivity and thus the diversity of interpretations among market participants. Therefore, fair values are not actual market values, but rather estimates of potential market prices. They are considered "as if" or fictional constructs that heavily rely on critical assumptions about orderly markets, which opens the door for manipulation and bias. This in turn provides challenges to the traditional belief that market-based values provide a non-management-based referent, which aligns with early standards on audit evidence quality hierarchies prioritizing independent sources of

evidence (Power, 2010). This is further complicated by the fact, that the formulation of fair value accounting systems in today's professional context is closely tied to institutional preconditions rather than purely technical accounting issues. All of these points, in other words, emphasize the sociological aspect of fair value accounting.

The common approach regarding the debates surrounding the Conceptual Framework has been analogous to those carried out in philosophy, especially in relation to how the question of value intersects with the philosophical inquiry of social reality. In his formulation of critical realism, Roy Bhaskar takes the question of value as philosophically central in the social science, since social reality is not value-free, and thus neither is the scientific inquiry about it. Regarding this issue, he put forth an account of moral realism, which claims the existence of objective morality that is guaranteed through the (dialectical) transcendental approach. However, this strategy dissociates the notion of value from the dynamics of social reality, which goes against the emphasis of the critical realist approach and renders the notion empirically ineffective. Thus, an alternative path must be taken, namely on how to explain the emergence and efficacy of value that is grounded in the complexity of social empirical reality, without resorting to the radical conception of social constructivism that faces the same problem of empirical impugnt. Such a strategy would satisfy the need for addressing the problem discussed earlier regarding fair value accounting—that is, providing a sociological basis for the theoretical and methodological gap within the Conceptual Framework.

This paper thus aims to sketch a sociological framework for fair value accounting based on Dave Elder-Vass's meta-theory of economic value. Elder-Vass grounds his meta-theoretical account on the social constructivist ontology that he derived from the philosophy of critical realism. Its methodological implication for the valuation system of fair value accounting will later be drawn, namely the opportunity for systematizing the theoretical account of fair value accounting, and the necessity of extending the scope of analysis to the sociological level. This is consistent with the pluralistic consensus of the theories of value and their measurement basis among the accounting standard-setters. This article will be divided into three parts. First, I will provide a general outline of Elder-Vass' critical realist social ontology as the foundation for his philosophical account. Second, the elaboration on the meta-theory of economic value derived from the general outline in the previous section will be provided. Third, the implications from the sketched meta-theoretical framework for the valuation methodology of fair value accounting in general will be drawn.

2. Elder-Vass's Critical Realist Social Ontology

Following the general strategy of critical realism, Elder-Vass takes the question of social ontology as his theoretical point of departure. The aim is to establish a solid ontological foundation for understanding values in general, and economic values specifically. By shifting the philosophical problem of value from the purely analytical to the social empirical domain, Elder-Vass thus avoids the problem of the Humean naturalistic fallacy and the deadlock caused by transcendental theorization encountered in Roy Bhaskar's critical realism—that is, by providing the explanation for the social preconditions that allow values to empirically emerge (Elder-Vass, 2010a).

In broad terms, Elder-Vass's social ontology is based on several key philosophical theses, namely: (1) emergentism, which is grounded on the compositionism, and the morphogenetic and morphostatic account of causal powers; (2) agency, which combines Pierre Bourdieu's theory of habitus with Margaret Archer's theory of reflexivity; and (3) moderate social constructionism, which is compatible with realism. These three theses are, according to Elder-Vass, interconnected and mutually contribute to the coherence of the argument for critical realist social ontology to adequately capture the open and dynamic nature of social reality.

In relation to the ambition of formulating a critical naturalist social science, the significance of emergentism within the social ontological layer has been emphasized by Bhaskar, as he expresses that "emancipation depends upon explanation depends upon emergence" (Bhaskar, 1986: 69). However, due to the lack of further explanation, Elder-Vass further develops it by proposing a compositional interpretation (Elder-Vass, 2005, 2010b). Compositionism views entities as composite at a higher level, which consists of parts at a lower level. Entities can be objects or things, and are not necessarily material in itself. Examples include water, molecules, business corporations, and theories. With the exception of the most fundamental entities—if they even exist—all entities are composed of a set of parts arranged in a specific way. Therefore, entities as a whole are not simply aggregates of their parts. This compositional approach aligns with and strengthens the materialism thesis, which essentially constitutes critical naturalism proposed by Bhaskar in *The Possibility of Naturalism* (1979). Materialism claims that everything, both within the actual and real domain—in the sense of the stratified conception of reality commonly held in critical realist metaphysics—can be understood as composed and therefore ontologically dependent on the materiality of the social world, which itself is composed and dependent on the materiality of individual humans. Therefore, social events are produced by the interaction

of causal forces between social entities and others, and all entities derive their forces from the interaction among their material parts. Here, then, we obtain a materially social world.

The idea of emergentism is further elaborated through the mechanisms of morphogenesis and morphostasis (Elder-Vass, 2010b). Morphogenesis explains how entities can exist and possess unique properties (as emergent properties) of their type—that is when they contain a certain structural configuration at a certain level. On the other hand, morphostasis explains how entities can maintain their existence continuously—by maintaining the consistency of their parts and the significance of their structural relations at a certain level. Thus, morphogenesis deals with the synchronic explanation of causal power, while morphostasis deals with the diachronic explanation. The existence of a social material entity or phenomenon is therefore the result of multiple determinations of morphogenetic and morphostatic causes, and its structural possibilities. Through the analytical explanation approach of morphostasis (reproduction/maintenance), morphogenesis (presentation/change), and structural possibilities through the compositional framework in Elder-Vass's theorization, the continuity of structure in the reciprocal relationship between agents and structure can be captured more adequately.

On the relationship between agency and structure, Elder-Vass takes two representative theories from each opposing pole in the tradition of sociology, namely Bourdieu's theory of habitus and Archer's theory of reflexivity (Elder-Vass, 2010b). Bourdieu believes that human deliberative consciousness plays a role in determining social practices, but is always subordinated by the habitus—the social conditioning in the form of a set of dispositions that are internalized within us through a process of internalization based on our position in the structure. On the other hand, Archer states that human social action is fully deliberative and consciously driven through the concept of reflexivity—the ability to monitor ourselves in relation to our conditions, manifested through a process of conscious reflexive deliberation, wherein we have internal conversations with ourselves about ourselves. In other words, Bourdieu prioritizes social conditioning factors, while Archer prioritizes human deliberative actions. The alignment of these two views on action theory can be achieved through two stages. First, reinterpreting Bourdieu's theory of habitus within the framework of emergentism. Second, synthesizing Bourdieu's emergent habitus theory with Archer's theory of reflexivity within the framework of materially social ontology. This produces a theory of emergent individual agency that is made possible through the joint determination of both individual reflective consciousness and social conditioning, in which individuals are autonomous causal agents in their reciprocal relationship with social structure. This view of emergent individual agency then serves as the foundation for Elder-Vass's social ontological formulation of the causal power of social structures—which is understood compositionally as primarily consisting of interactions between individuals.

Broadly speaking, Elder-Vass argues that social structures need to be understood as the causal power of significant and specific social groups, which can be divided into two types: norm circles and organizations (Elder-Vass, 2010b). Norm circles are entities whose parts are individuals committed to promoting and enforcing a particular norm in response to the normative reality of their environment, resulting in dispositional responses to it. Furthermore, individuals can belong to diverse and intersecting norm circles. In addition to norm circles, organizations are emergent entities that also consist of human individuals as their parts, structured by a specific set of practices in specific roles adopted by each individual within the organization. These roles are normative structures, which operate through norm circles that are to some extent shaped by the organization itself, and enable individuals as their parts to generate more causal power than if they were situated outside the organization. Both types of social structures demonstrate through an emergentist framework how structure acts and generates causal power through and together with individuals as their parts. Thus, Elder-Vass grounds his account of realist social constructivism on the idea of normativity in everyday life.

Lastly, Elder-Vass outlines various theses of social constructionism and shows that contrary to common understanding, not all of them are incompatible with realism (Elder-Vass, 2012). Elder-Vass divides social constructionism into three categories: trivial constructionism, moderate constructionism, and extreme or radical constructionism. Trivial constructionism refers to the belief that collective individual communication can influence subsequent physical actions. However, since the understanding provided is not substantial, it is thus not relevant for social ontological theorizing, as it focuses more on the dispute on how changes in the way individuals collectively think and communicate about the world constitute significant changes in the social world. The implication is that the world can be divided into two parts: a part that depends on how we (individually and collectively) think and communicate about it (the relational or transitive dimension) and a part that does not (the non-relational or intransitive dimension), where the former can be constructed relatively separately from the latter. Based on this, moderate constructionism is a variant that accepts the relational or transitive part of the world as constructible, while the non-relational or intransitive part is not. This is different from extreme constructionism, which rejects this distinction and believes that everything depends on how we

think and communicate about it. In other words, everything is a social construction. The latter position is commonly found in the postmodernist tradition.

Regarding this issue, Elder-Vass (2012) argues that the epistemological relativism position maintained in the original formulation of critical realism shows that critical realism inevitably contains a kind of social constructionism, which is empirically possible through the causal dynamics generated through the interplay between social agents and structures. Therefore, unlike extreme constructionism models that reject the materiality of the social world as its ontological and ethical precondition, moderate constructionism models can be consistent with the material and realist character of the social world, providing access and means of analysis of the causal schemes behind social construction processes. Thus, social constructionism can detach itself from the anti-realist presupposition that makes it difficult to defend, and on the contrary, it can gain ontological coherence through the schema of critical realism.

Through the social ontology sketched above, further explanation about different types of social constructive practice is then provided, namely the practical, linguistic, discursive, and epistemic (Elder-Vass, 2012). These four practices of social construction are made possible through the joint causal role of individuals and social structures, specifically categorized as "norm circles". Practical construction is a form of non-linguistic social practice (e.g., through norms like 'eat slowly' or 'do not obstruct others'). Linguistic construction is a form of social practice regulated by linguistic norms (e.g., grammatical rules, intonation, the use of formal and informal terms, etc.). Discursive construction is a social practice dealing with the content of our linguistic and practical expressions. Lastly, knowledge or epistemic construction is a social practice dealing with the regulation of claims or beliefs as authoritative knowledge. This form of construction is a more specific part of discursive construction and is further divided into two categories: epistemological construction, which regulates epistemological standards to justify claims or beliefs as knowledge, and epistemic construction, which deals with specific types of knowledge and regulates claims in specific areas as valid knowledge. All of these normative practice would serves as the basic building blocks on explaining the process of valuation as a normative phenomenon.

3. Meta-Theory of Economic Value

In providing an adequate social explanation of economic value or prices in an open economic system, attention needs to be directed towards the multiplicity of interacting causal processes. Elder-Vass (2010b) proposes two related types of explanations, namely retrodiction and retroduction. Retroduction is the process of identifying and explaining the individual causal mechanism; while retrodiction is the process of identifying all the various interacting causal powers that produce an outcome in the given social system. However, individual investigation of each case is not necessary because it is not efficient and practical given the complexity involved in a social system. Therefore, based on the account of explanation given above, Elder-Vass (2019) proposes a further generalization strategy that takes the form of retrodictive generalization, which is to identify common causal factors that can be found across a group of related cases in a specific aspect; and retroductive generalization, which is to identify a specific mechanism as a concrete variation of an abstract mechanism that applies at a more general level. Both of these explanatory strategies will be used in theorizing the economic value.

Elder-Vass (2022b) proposes a number of requirements for an adequate theory of economic value, based on his evaluation of mainstream theories of economic value as well as Bhaskar's original critical realist formulation on the same issue. First, value cannot be formulated through a simple and direct inference from fact without falling into naturalistic fallacy, nor by constructing it transcendently without eliminating its empirical virtue. Second, a theory of value cannot be based on a single causal mechanism that claims itself to be universally applicable, without making it a fully normative rather than a descriptive theory, thus also eliminating its empirical virtue. Third, an adequate theory of value needs to be based on an adequate ontological foundation, in the sense that it can explain the complexity of preconditions for its existence in social reality. It is these reasons that lead the theorizing of value to the critical realist social ontology.

Based on those requirements, Elder-Vass proposes that value is a normative concept produced through the valuation process which is basically a normative judgment. Elder-Vass rejects a strict separation of the concepts of price and value as been done in the marginalist tradition, or obscuring it in a highly abstract framework that makes it explanatorily powerless in an empirical-descriptive sense as been done in the Marxian tradition. Instead, value in the economic sense is nothing more than the price itself, which is the economic value of a commodity, and it is at this magnitude that the price for its exchange should be determined. Such an understanding aims to maintain the scientifically empirical virtue of a theory of value, that such theory must be able to descriptively explain how something can have a value in a certain magnitude or sense, along with the processes that enable the ascription of that value. In other words, "there is no price without value" (Elder-Vass, 2019). The reason is that economic value (namely the value contained in a commodity) should be socially

empirical in nature, and this is what makes it relevant again as a descriptive concept underlying the phenomenon of price.

Elder-Vass then shows the dual character of his proposed conception of economic value (2019). On one hand, value is normative in a sociological sense because social norms are the principles that underlie the reasonable valuation of things, which is acquired through cultural learning within the social interaction dynamics and influenced by normative pressures regarding adequate ways of evaluation. On the other hand, value is normative in an ethical sense because it is a belief or claim about the fairness or reasonableness of the price of something. However, these two aspects of economic value do not collapse into each other, as non-economic valuation (e.g., aesthetic valuation) can closely intertwine with the economic valuation of things, although based on different standards. Thus, each individual personally constructs an estimated value, which is conditioned together with the social power that regulates and standardizes the estimation. In this sense, value can be rephrased as a social expectation about normative prices that are formed empirically. The social ontological idea of normativity, mediated through the concept of a norm circle, therefore plays a major role in price formation.

By grounding it on the notion of norm circles, Elder-Vass argues that the social construction of a value and the valuation process depends on discursive practices, which are influenced by the constellation of social causal power (Elder-Vass, 2019, 2022a). In this context, discursive practice is the process that logically operates behind the valuation practices of the accountants, the academic debates that surround it on the theoretical level, as well as their codification in the form of accounting standard policies by standard setters. Another example can be seen in the agreement on the value of a security, which depends (among other things) on the creditworthiness rating given by a major agency. The social construction process operates in this case through the assessment and rating process by the agency, which occupies a significant position in the existing social power constellation, cannot be separated from its evolution throughout the agency's institutional history, as well as the agency's role as an accommodator of the interests of powerful actors (banks, governments, and international organizations). Therefore, instead of being 'purely' objective—in the sense that it exists independently of the causal influences from any social agents and structures—Elder-Vass's conception of value remains subjective, in the sense that it is a person's belief in the worthiness of something. However, this subjective nature is not understood in an individualistically isolative sense as formulated in neoclassical economics, but as an intersubjective nature because it is constructed through complex socio-cultural conditioning. Therefore, various social phenomena—namely culture, language, discourse, and knowledge—that are produced and operated by the causal capacity of norm circles are central to the idea of the social construction of value.

This leads to the procedures for the general theorization of value. Contrary to the previous mainstream theories of value, Elder-Vass's main priority is not to propose an over-generalizing theory that is not sensitive to social empirical dynamics. This would only produce a fully idealized and normative understanding of value, which would be explanatorily powerless in the face of an empirical investigation. Rather, the goal is to carefully capture the social empirical precondition that shapes value judgments in everyday reality as the proper baseline for the generalizing account of specific value. Thus, a distinction is proposed between 1) the first-order theory of value, whose content is empirically determined and thus limited in scope; and 2) the second-order or meta-theory of value, which gives a generalizing account of the former.

Elder-Vass refers to this first-order theory of value as "lay theory of value" (Elder-Vass, 2022a: 3; 2022b: 3, 49). This lay theory of value can take various forms—sometimes complementary but sometimes contradictory—since an act of valuation can involve more than one or a mix of various lay theories, conditioned by various factors such as the characteristics of the goods, contexts in which valuation is carried out, previous social experiences, etc—that is, in simpler terms, by the dynamics of social interaction between discursive powers of actors with various degrees of influence and resources within a norm circle. Thus in the social constructivist sense, the lay theory of value is none other than the form of social norm that could be identified through retroductive strategy. It is a standard that is considered socially necessary and only works when it is socially accepted—which as a social phenomenon, is open to social influence, with the range of actors and infrastructures supporting a norm always changing. Consequently, there must be a wide empirical variation of actors, valuation processes, and basis of valuation that play roles in different valuation processes. Socially conditioned valuation processes, therefore, are none other than the process where multiple (and potentially different) value theories operate simultaneously to shape value judgments. The moral of this abstraction is that a theory that can encompass all possible everyday value theories and their applications is needed, as direct identification of all the first-order theories is principally impossible.

The following strategies are to be followed. First, a retroductive generalizing explanation is needed to identify the common characteristics of various lay theories of value used in a norm circle with relatively uniform characteristics. Second, a retroductive generalizing explanation is needed to examine the everyday theories

themselves and how they are accepted by economic actors, or in other words, to identify the causal mechanisms underlying a valuation action and its operationality. In navigating daily social life, these procedures have already been often deployed, mostly in a non-rigorous manner, to identify some widely accepted theories of value, and thus are relatively uncontroversial. For example, there is a theory of value stating that a good has below-standard quality if it is produced defectively, damaged, deteriorated over time, or in need of repair, and therefore should have a lower cost compared to goods with expected quality standards. Another example is a luxury good that is produced not only through high-quality physical processes but also through discursive work carried out over the years, which will have a higher price than goods that do not contain similar elements (Elder-Vass, 2022b). These provide examples of what is actually aimed here, namely a rigorous and systematic account of second-order or meta-theory of value that provides a general classification of some lay theories of value.

In formulating the general classification of these lay theories of value, one needs to consider some characteristics, namely: the object bearing the value, the social construction processes involved, and the social structures that produce it. This leads to the idea of the distinctive social structures named “valuation complexes”, that are constituted of “valuation circles” and “valuation infrastructures”—that is, the technology and institutions that enable the valuation process. Furthermore, norms regarding value become targets for what are called “value entrepreneurs” or the inventors of value—social actors with an interest in promoting certain values, with specific value theories applied to a commodity or asset. Generally, value entrepreneurs are producers or sellers of the associated goods, whose economic value they want to promote by shaping our thoughts and reasoning on valuing these goods—thus forming a lay theory of value. In citing Thrift, Elder Vass (2022b: 4) gives an example of the internet stock boom in the early twenty-first century, in which value entrepreneurs argued that companies could convert website visitors into long-term profits. Therefore, they believed that a company's value should be based on the number of visitors it had, regardless of its short-term profitability (or lack thereof). This theory convinced many investors to apply it to the stocks of new economy companies. However, many of these companies eventually collapsed due to their accumulated losses.

Further, the lay theory of value is inseparable from the cultural and political dimensions that together underlie its social character. Regarding the cultural aspect, the invention and promotion of a lay theory of value is connected to the cultural commitments and tendencies of the involved actors that belong to a specific group or population segment. For example widely assumed, the upper-middle-class society may view luxury goods as having greater value because they allow them to display and enhance their social status. The latest variety of this social structure focuses on organizing narratives of heritage and cultural craftsmanship through various marketing and advertising strategies, intended to add value to associated products (Elder-Vass, 2022b: 200). In addition to the cultural forces, analysis needs also to consider the power struggles of the social dynamics that add the extra layer of valuation politics. This is because all social actors are laden with specific interests in facing the condition of scarcity, which underlies the promotion and use of specific value theories that may complement or conflict with each other. The political aspect becomes significant in the social explanation of value when certain economic actors—generally in the form of organizations—exert substantial power over valuation processes by influencing the main theories of value we use through available means at their disposal. Examples include positioning products in the market, forms of agreements within traditions that exert valuation power, intervention in government policies and relevant media discourses related to the associated products, the role of critics and evaluators in shaping the symbolic value of a cultural artifact that affects its economic value, etc. (Elder-Vass, 2022b). The influence of both cultural and political power in social normativity becomes evident considering that the causal influence of a value theory depends on the magnitude, scope, and strength of influence from the norm circle supporting it, and the discursive power of these actors is only effective when they succeed in constructing that norm circle.

4. Implication for the Fair Value Accounting

There are interconnected methodological implications that can be drawn from the philosophical-sociological framework sketched above for fair value accounting. First, it provides an opportunity to systematize the theories of value and their measurement basis without reducing them into a single unified account. Second, it highlights the need to broaden the analytical scope at the sociological level. Each of these implications will be discussed below.

According to Power (2010), one of the main catalysts behind the transformation of fair value was the challenge of accounting for derivatives. This challenge prompted a return to the fundamentals and served as a crucial test case for the ambition and coherence of accounting frameworks that had been developing since the early 1970s. In that case, it became essential to consider financial instruments as a whole, leading to an expansion of the potential scope of the fair value concept. This move, in other words, put ontological consideration into the center of fair value debate, the aim of which is to give a systematic account of the theories of value and its measurement basis.

However, in carrying out this ontological systematization of fair value accounting, it is important to take the recent pluralist consensus into account. This consensus regarding mixed measurement bases is stated in paragraph 6.3 of the Conceptual Framework (IASB, 2018): "Consideration of the qualitative characteristics of useful financial information and of the cost constraint is likely to result in the selection of different measurement bases for different assets, liabilities, income, and expenses." While the mainstream realist account of value often entails the unified measurement basis as its conclusion, which naturally conflicts with the aforementioned pluralist consensus, the antirealist perspective may overemphasize the role of subjective considerations in the valuation process and disregard any objective basis for reevaluation, thus potentially enabling manipulation and bias even further.

The critical realist meta-theoretical framework of economic value provides a way out of a potential deadlock for both of the perspectives regarding the issue. As a fundamentally subjective theory of value, it recognizes the fact that a commodity can have multiple (and often different) values depending on the subjective judgments of individuals that constitute market dynamics. However, value is also a part of lay normativity, in the sense that it is essentially influenced by factors that promote conformity, such as social norms and the tendency for people to become accustomed to the prices of certain objects, leading to their normalization. In this sense, the subjective nature of a valuation process is formulated in a non-individualistic manner, and thus deeply intertwined with social influences. Moreover, the social constructivist nature of the meta-theoretical account aligns with the pluralist consensus as mentioned in the Conceptual Framework (2018), as it fundamentally challenges the very idea that economic value is a single thing that is quantifiable on a single scale. In other words, the aim of providing a more systematic account of fair value accounting does not entail a unified account of theories of value and their measurement bases, as those two could be mutually maintained in the same theoretical position. This brings us to the next point, that sociological analysis is necessary for improving the explanatory power of fair value accounting valuation practice.

By adding an extra layer of sociological analysis of economic value to the valuation process, Elder-Vass's account challenges the notion that fair value can be solely determined by the regularities of orderly market forces while at the same time neglecting wider social-cultural contexts. On the contrary, broadening the scope of analysis at the cultural and institutional level may uncover common patterns of information that constitute a proper classification of some kinds of value that could potentially serve as an extra analytical guideline for the fair valuation process. These patterns include the type of relevant commodities, the social construction processes that shape them, the socio-technical structures that underlie the entire valuation process, and further, the underlying sociological mechanism that shapes the performativity dynamics of those theories in a given social context. Furthermore, evaluations of commodities based on non-economic criteria, such as aesthetics, can influence assessments of their economic value—which implies that the non-quantitative forms of evaluation can impact the quantitative, monetized valuations of market economies. This prompts accountants and standard-setters to critically examine the underlying social processes and narratives that shape the valuation of assets and liabilities.

An example of theoretical categorization of value is given by Elder-Vass (2022b), in which economic value is further categorized into two distinct but related kinds, namely monetary and financial value. Monetary value is produced through valuation agreements conditioned by the monetary complexes, and applies to commodities or services that have a concrete physical existence. For example, a banknote or a coin has a specific monetary value assigned to it, regardless of its physical properties. Financial value, on the other hand, is the monetary value attached to specific assets through the valuation agreements conditioned by the asset complexes. This includes assets such as stocks, government or corporate bonds, and other financial instruments. Unlike commodities or services with monetary value, assets with financial value do not have a concrete physical existence. Their value thus depends on the expectations of potential buyers, who consider factors such as anticipated future gains and the existence of other investors as potential buyers. This further highlights the fundamentally uncertain nature of financial value, which explicates the major roles of social constructive dynamics in shaping it.

Based on further categorization given above, the pattern of the socially constructive institutional process can be traced, which includes several common processes, such as: the design of new assets; the development of a discourse or narrative that connects the related assets to the established principles of value to make them valuable in the recognized sense in the case of other assets; the attribution of characteristics to the related assets that link them to these principles; the embedding of these assets in an institutional context, including organizations, discursive standards, and sometimes state or legal support that underpins the narrative; and the persuasion of a wider community group that the value of a new asset is justified. Further detailed classifications and elaborations may be developed to improve the explanatory power needed for the fair valuation practice.

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Author Profile



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