

# On the Enlightenment of Value Law to College Students' Investment

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**Abstract:** With the realization of the first Centennial goal of our country, people's living standards have been comprehensively improved. When people are rich, they need to invest. In particular, financial investment has become the daily life of ordinary people. The law of value not only provides some advanced ideas for investment, but also provides some warnings. College students should study and understand it carefully.

## 1. Introduction

The law of value is an economic law formed in the process of commodity production and commodity exchange, which plays a spontaneous role in regulating social economic activities. The law of value has played a positive role in social and economic development, but it also has some negative consequences. Among these positive effects and negative consequences, it also reflects the relationship between value law and investment. Its positive effect contains some advanced investment ideas, and the negative effect also puts forward warnings for investment.

## 2. Relationship between Value Law and Investment

Firstly, in the fourth chapter of the textbook *Introduction to the Basic Principles of Marxism*, we learned the "law of value and its role", which is the basis for our analysis of investment. The law of value is well known, but it is often generalized: the law of value is like a basket, in which everything can be loaded. In fact, understanding the law of value can't be separated from Marx's labor theory of value. Understanding it must be based on Marx's labor theory of value. Only by truly understanding the connotation of value and the determination of value quantity can we understand and apply the law of value from a deeper level <sup>[1]</sup>.

Secondly, as for investment, the investment mentioned here is "securities investment" represented by "stock investment". It is financial investment, not physical investment. It is how many stocks to buy, what industry, what region, what plate and what type of stocks to buy. Now, our country has completed the first Centennial goal and is moving towards the second Centennial goal. As the country stands up, gets rich and strong, the people's life is getting better and richer. When people are rich, they can't keep their money in their own hands. They also want to invest. Some people invest in real estate and most people invest in finance, especially securities. Therefore, the proportion of financial assets will be greater and greater in residents' wealth, and securities investment will enter ordinary people's homes more and more. However, there are still many deviations in the public's understanding of securities investment, and many specious and wrong statements are still popular in the society and the Internet. It is very important and necessary to scientifically understand securities investment and guide everyone to form a correct investment concept.

Thirdly, as for the relationship between value law and investment, the law of value is mainly aimed at the real economy. Securities investment belongs to finance and virtual economy. To understand securities investment from the law of value, we must first understand finance, what is virtual economy and what is real economy, and what is the relationship between them? At the same time, we should make clear the specific role and impact of virtual economy on the real economy. The real economy directly creates value, while the virtual economy does not directly create value.

Therefore, finance itself can't directly create value. Although finance itself does not create value, it plays a core role in the development of modern market economy. It is an important way of resource allocation in modern society and has a great impact on the real economy <sup>[2]</sup>. The price of whatever stocks we buy will rise, and the companies represented by these stocks will easily obtain financing. With capital, the companies can continue to expand production scale, or adopt new technologies to further improve operation, so as to improve production efficiency. When the scale is expanded and the efficiency is improved, more value is created, which lays a foundation for the further rise of stock prices. Thus, a good cycle of rising stock price - increasing company value - further rising stock price is formed.

### **3. Value Law and Its Main Contents**

The fourth chapter of *Introduction to the Basic Principles of Marxism* gives the main contents and objective requirements of value law. We college students should study hard, really understand its connotation, grasp its objectivity, really make good use of value law, give full play to its positive role in future economic development, avoid or reduce negative consequences, and make more companies become high-quality companies that create value.

From the perspective of production and value creation, the value of goods includes qualitative and quantitative provisions, that is, it is related to the entity of value and the labor time consumed in the production of goods. Finally, the determination of commodity value is the social necessary labor time for producing commodities, not individual labor time <sup>[3]</sup>. This means that those enterprises with advanced production technology and scientific management can exchange less input and cost for higher output and income. These enterprises are high-quality enterprises. They are the main body of value creation and should also be the reliable target of securities investment.

From the perspective of commodity circulation and value realization, the purpose of commodity circulation must meet the needs of consumers, and the basis of value exchange must be equivalent exchange, so value exchange shows price fluctuation. By studying the expression form of value law, we know that when the product price is lower than the value, the enterprise is at a loss, otherwise it is profitable. This will happen even for high-quality enterprises <sup>[4]</sup>. However, high-quality enterprises have strong value creation ability after all. Temporary difficulties and even losses should not and will not drown the real value of high-quality enterprises.

### **4. Three Investment Ideas Contained in the Value Law**

Through the understanding and analysis of value law, three investment ideas can be extended. These three investment ideas are also the basic ideas of securities investment. In the long run, they determine whether securities investment can finally make a profit.

The first concept is the concept of value creation. The use value of goods is not used to meet the needs of production enterprises, but to meet the needs of others and society through exchange. In the market economy, only the goods that really meet the social needs and satisfy others can be sold and realize their value. Only the production of goods that meet social needs and satisfy others is the production of creating value; Only enterprises that produce goods that meet social needs, meet the requirements of others and sell out can make profits and be the real value creators. For stock investment, we should find out those industries and fields that are in short supply and find real value creating enterprises. By investing in the stocks of these enterprises, we can guide the capital to flow into the fields and companies that create value, drive the formation of a virtuous cycle of rising stock price - increasing company value - further rising stock price, and realize the mutual promotion of investment profit and value creation. While social interests are guaranteed, individuals also obtain interests, forming a win-win situation for individuals and society.

The second concept is the concept of efficiency improvement. Through the understanding of the value of goods, we have learned that those enterprises with high production efficiency and short labor time to produce goods will make more profits in reality <sup>[5]</sup>. That is, it takes less labor time than other enterprises, but creates more value than them. These enterprises not only make profits, but

also drive the improvement of productivity. They are really high-quality companies worthy of investment.

The third idea is lifelong learning. What investors really pursue is value, and the direct factor affecting enterprise profitability is price. Even those fields with value creation potential, and even some high-quality enterprises, may face the situation of oversupply due to temporary and accidental factors, and can't successfully realize their value. It is very difficult to find truly valuable high-quality enterprises. Professional investors need to have a pair of insight that can find truly valuable high-quality enterprises through clouds. This requires us to establish the concept of lifelong learning. With the development of society and the changes of the market, we should continue to study and practice in order to improve our professional investment ability.

In fact, securities investment is comparable to our college students' learning to a certain extent. The three investment ideas also apply to our college students' learning. College students should correct their learning objectives and learn the knowledge that really contributes to social progress and benefits the people. The total time of four years in university is fixed. Only by improving learning efficiency can we learn more knowledge and have higher ability than other students at graduation. College students should learn to learn, constantly practice, summarize and find learning methods that adapt to their own characteristics, improve their learning ability, and lay a solid foundation for long-term learning and lifelong learning.

## **5. Four Taboos Contained in Value Law**

From the positive role of value law in the spontaneous regulation of economic activities, we have obtained beneficial investment concepts. From the negative consequences of value law on economic activities, we should also be aware of some deficiencies. These negative consequences also give a warning to our securities investment. When we invest in securities, we should also remember that going beyond the limit is as bad as falling short, and remember the "four taboos".

First, avoid following the trend of speculation. The regulation of value law on resource allocation is blind, and it sometimes leads to imbalance of proportion and waste of social resources, which is manifested in the swarm and irrationality of securities investment. When the capital market discovers an investment domain, it will soon form the investment hot spot. The investors will follow suit and buy the large number of hot stocks without thinking. The stock in the field and the stock market will go up blindly and form a bubble. Investment must be rational. We must know that extremes must be reversed and bubbles are always broken.

Second, avoid being greedy and too short-sighted. Hindering the progress of technology is the negative consequence of the law of value. However, it should be recognized that enterprises may be greedy for short-term interests by sticking to their advantages and hindering the progress of others, but what really supports the long-term development of enterprises is the continuous improvement of enterprises themselves, and the truly excellent enterprises are enterprises that constantly forge ahead and continuously improve their core competitiveness. Securities investors should also have a long-term investment philosophy. They can be greedy for the moment but not for the long term. They should find those truly excellent enterprises with core competitiveness, hold their shares and walk with great companies and great value creators.

Third, avoid being narrow-minded and too paranoid. When value law plays its role of spontaneous regulation, some high-quality companies stand out, and some weak companies suffer losses or even go bankrupt, which leads to polarization. Securities investors should avoid bigotry. For those enterprises that obviously do not have competitiveness and can't effectively create value, they should resolutely abandon their stocks. With the differentiation of investment targets, securities investment shows a greater and faster two-level differentiation. In the stock market, there are always a few investors who have accumulated a lot of wealth, but many investors continue to choose the wrong targets, step on the wrong rhythm, make continuous losses and even get out of the game. From the perspective of stock investment itself, we should have a sense of gain and loss, not be complacent about temporary profits, nor be depressed about temporary losses. From the perspective of society as a whole, extreme polarization is unsustainable, and the negative

consequences brought by the law of value can't be tolerated for a long time. When you occupy a large amount of social wealth through stock investment in the future, you should think about the negative effects of the law of value, keep a heart of public welfare and charity, and take the initiative to help those in need.

Fourth, avoid overconfidence and ignorance. The law of value, like other laws, is objective. Therefore, it is normal that prices sometimes deviate from value. Because the value of goods is constantly changing, so the price of goods is also changing. The value of an enterprise is constantly changing with the changes of the market, and the stock price of an enterprise is constantly changing with the operation and development of the enterprise. The law of value will never be expressed in a simple and direct form <sup>[6]</sup>. Securities investment is not a simple business, but a very professional thing. Investors must be rational and not blind. They should neither overestimate their judgment and invest blindly, nor deny their efforts, but believe in themselves.

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