Comment on “The Complex Market: Communications of Exchange, Observing Competitors, and Prices” by Pascal Goeke and Evelyn Moser /1

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Abstract

This comment on the essay “The Complex Market: Communications of Exchange, Observing Competitors, and Prices” by Pascal Goeke and Evelyn Moser (2018), focuses on their discussion of how market actors observe one another, which is a theme connected to issues of prices and competition. In contrast to other coordination forms, i.e., mainly networks and organizations (hierarchies), markets require that those trading in markets are free to those so. Markets come with noise and disorder, due to the mutual adjustment that occurs between those trading in ordered markets. The general condition of markets is order. The text presents types of markets and argues that the role of mutual observation correlates with the type of market in question.

Keywords: market; order; observation; mutual adjustment; organization.

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I am grateful for the opportunity to comment on the interesting text by Pascal Goeke and Evelyn Moser. Their text makes a good review of the large sociological market literature. The focus of my comment is on what I see as the main contribution of their article, the discussion of how market actors observe one another, which is a theme they connect to issues of prices and competition.

Their article uses my work, draws on Luhmann and comments on White. The link between Luhmann and White is here relevant. In 2005, when White was the Luhmann guest professor at the University of Bielefeld, he gave a lecture at the Max Planck Institute for the Study of Societies in Cologne. I remember how White, before the lecture started, held a copy of Luhmann’s *Social Systems* over his head at the same time as he was praising Luhmann.

Both Luhmann and White theorize on the premise of order from noise.¹ Pascal Goeke and Evelyn Moser argue that more attention should be given to the role of noise, or disorder, in markets. This disorder, we are told, is the result of market participants, on both sides of the market, observing one another in a way that amplifies the complexity of observations.

Let me spend the rest of this brief comment to elaborate on the views on observations in markets expressed by Goeke and Moser. I agree with some of the things they say, but disagree with others. I agree that all markets come with some noise and disorder, but it is restricted to the mutual adjustment that occurs between those trading in ordered markets. Certainty and complete order is not possible to combine with markets; some uncertainty must remain. In contrast to other coordination forms, i.e., mainly networks and organizations (hierarchies), markets require that those trading in markets are free to those so, which also mean that they can walk away at any time. Consequently, the market has a dynamic element, which occasionally also turns it into a more or less disordered social formation.

However, I disagree if they mean that disorder is the overarching theme in markets. If so markets would be social forms close to falling into chaos, but research shows that markets are relatively stable (Burt, 1988). Order is obviously only relative, but once the market prerequisites are met, and that there are roles established, what we call social structure, and the market enables its participants to evaluate the offers, we speak of order. The historical development of market, which in the first place refers to the development of market places, is intimately related to the wish for the possibility to secure trading.

Order in markets is fashioned in different ways. In the article by Goeke and Moser I can see that some distinctions between market forms seem only to be partly acknowledged. I identify different market forms (Aspers, 2011), coming out of two distinction: between markets ordered by status and those ordered by standard, and between markets in which actors switch roles, between seller and buyer, and those in which they enact the role only on one side of the market. See Figure 1 for the possible combination, with empirical examples of markets.

![Typology of Markets](https://doi.org/10.6092/issn.1971-8853/8377)

Let us here concentrate on the two most salient forms, which are toned grey in Figure 1. The first is exemplified by stock exchanges, in which those trading are switching between the roles as “seller” and “buyer” (the roles of consumer and producer do not apply in this market in which what traded is just “exchanged”) of the perfectly homogenous offer of trade, namely shares of a company. The market price

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¹. This may seem less obvious in the works of White, but in personal discussion with White that took place in Berlin, 25–26 of September in 2008, he agreed that behind his ideas in *Identity and Control* (White, 1992) is the notion of atoms jumping around, out of which molecules are made. These molecules represent some form of order.
is, as neoclassic economics states, set at the level where buyers and sellers agree to trade. Competition is, in principle, and often in practice, equally fierce on both sides of the market. Observation, in this case of a highly standardized good is primarily directed at price. Trade is increasingly taken over by machines at many modern stock exchanges, which is possible given its price-orientation. However, order in this market is largely the result of organization (Ahrne, Aspers, & Brunsson, 2015), which is mentioned already in the works of Walras, Marshall and Weber. The trading prices, however, are the outcome of those trading.

In other markets, actors enact either the role as seller or buyer, and thus gain market identities that may become part of the market structure, for example brand names in the market for cars, which is an instance of the producer market discussed by White (1981). In this type of market offers are differentiated, and so are prices. Competition in producer markets is a consequence of the often limited number of sellers creating niches, who aim to sell their different “price-quality-delivery” combinations to customers. In many markets observation does not only take place as White noted, among producers (or in the case with few buyers, among them), but also among consumers, as argued by Goeke and Moser. Fashion is a good example of how consumers are seeking recognition from other consumers and search for information by observing also other users. In this market, order and trade is the result of mutual adjustment of actors.

Where does this leave us? I agree that more could be done on observations, and the Schützian notion of “projection” proposed in the article by Pascal Goeke and Evelyn Moser is interesting. However, the problem mentioned in the article — that “observation mutually referring to each other,” leads to the multiplication of observation — may be a problem for Luhmann’s theory. This problem of observation should, as I see it, be qualified in relation to the type of market in question. In my view, both standards (cf. Brunsson, Jacobsson, & associates, 2000) or status (Podolny, 2005) bring order about in markets, though in different ways.
References


