

# THE MARKETS OF SOCIETY

## A RESEARCH DESIGN ON TRANS-ECONOMIC EXCHANGE RATES

*Prémemoire*

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**Abstract:** The first ambition of this paper is the discovery of *non-economic markets* based on specific values (power, truth, justice, religion, etc). The problem with these values is that they can neither be directly compared with money nor with each other: truth may be power, but how much? Would you prefer health or truth? What is the return of a bachelor? Nonetheless, every day we compare these incommensurable values. So, there must be informal exchange rates. The analysis of these *trans-economic exchange rates* is as important as the analysis of the exchange rates between currency systems within economy. Based on the Luhmannian concept of functional differentiation, we are sketching a future research program based on the analysis of value related items of micro-databases (like the European Social Survey, for example). These items will be attributed to distinctive value categories. The unit of analysis then will be the intensity of dis-/affirmation to value related items: The more extreme dis-/affirmation to values of a certain value category is expressed, the higher is the relevance of the value category. By comparing these *absolute values* of the value categories we will calculate their relative value, too. It will be most interesting to focus and to compare the specific exchange rates of certain geographical segments or levels of population of the European Society: Do the French think that politics is more relevant than economy? Do Estonians prefer science or education? What is the number one value category in Luxemburg? Which Sinus milieus like art more than health?

# THE MARKETS OF SOCIETY: A RESEARCH DESIGN ON TRANS-ECONOMIC EXCHANGE RATES.

## Introduction

Speaking of exchange rates means referring to markets and calculation. Normally, the both concepts are intuitively associated with economy. Nonetheless, the present considerations base on the idea that the concepts of markets and calculation are not restricted to economy: There is calculation (of votes) in politics as well as there is in science (impact factors) or education (university rankings), too. As these forms of non-economic calculation are even competitive, as well, there is not much surprise that this paper can base on evidence from multiple theories and disciplines if it claims the existence of *non-economic markets*.

Saying this against the background of current discourses within and between Economics and Social Sciences, it is important to state that the objective of this paper is *neither* the reductionist application of economic *metaphors* (cp. Zafirovski 2001: 39) to *nor* the *commodification* of further societal spheres. Rather, this paper is about bringing society back in market, whereas the concept of market will be conceptualized as a pan-societal sphere of exchange in which not only economic but also non-economic values are created and exchanged just like at an Ancient agora. Such a *total<sup>1</sup> market* concept is the basis for asking and answering some fundamental questions concerning forms, functions, and self-concepts of current societies: We live in the *Mode II* of science, viz., currently, economic indicators define scientific excellence, while as an effect of *Basel II* the social capital of a credit user strongly influences the prize of the money the person wants to lend. Furthermore, an adequate balance of interests within a *Triple Helix* of government, university and industry relations is said to be the key for promoting innovation regions. But if so, then how come that we do not know much about the relative value of political, economic, scientific, or further values? How is an adequate balance of value “powers” defined in a specific situation? What is the most dominant value in the case that values are incongruent in terms of time or logic? What are the current exchange rates of society? (How) Do they change over time? *Is there a number one value of society?*

On the personal level we all seem to have both the ability of converting belief, truth, health, power, beauty, or money into each other and sensors for balances of values within relevant

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<sup>1</sup> Cp. Marcel Mauss' (1990: 20) approach to the analysis of *total* institutions.

frames of reference. This is reflected by the opinions on what we call economization, politization, medialization, or religious fanatization. But, again, it seems like we do not reflect much about the corresponding exchange rates of society. As a result, these days we do not really know which of the above-mentioned diagnoses is the current major problem of our societies, if at all<sup>2</sup>.

Nonetheless, history knows over-all trends of the primacy of certain values: for example, religious values used to have a much higher relevancy during the Middle Ages than they do have today. Thus, it is no mistake to say that the value of religious values declined. And, it would be no mistake to assume that *the relative value of religious, political, scientific, legal, or educational values can vary over time and space in a similar way as the same like the prices of a specific economic currency at the stock exchanges do.*

Developing the basic elements of a research concept for the analysis of these exchange rates of society is the major objective of this paper. As these exchange rates are assumed to be multi-level phenomena we need a concept based on a both universal and selective theoretical architecture. Thus, in the following a framework of ten well-defined value categories and their corresponding markets will be deduced from the system theory of *functional differentiation* (Luhmann 1987, 1997) and the systemic economic sociology (Baecker 2001, 2006a, 2006b). As the value of values is determined by means of decision, the research unit will be decision systems (Luhmann 2006) which can be observed at all levels of society. The paper sketches a research program for the *functional analysis* of value related data in huge micro data sets (e.g. the European Social Survey [ESS]): Each value related item will be attributed to one of the ten value categories. Then, the current value of the values, viz. the exchange rates of society, can be calculated by comparing the mean of dis-/affirmation<sup>3</sup> to all the values of each value category. Given an adequate set of data like the ESS, it will be most interesting to compare the exchange rates between over time as well as within and between specific geographical segments or social milieus: Is Religion more relevant than Sports for the citizens of the UK? Do the Finnish prefer arts or health? Is Germany more economic than Romania? In what sinus milieus is science the number one value, if at all?

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<sup>2</sup> We need only one expert, Noam Chomsky, to get three answers on this question: The current problems are Medialization (1999a), Economization (1999b), and Politization (2000), (nearly) at the same time.

<sup>3</sup> In contrast to indifference or neutrality.

## Bringing Society Back in Market

First of all, the problem with the discovery of non-economic markets and the trans-economic exchange rates of society is a theoretical or rather a paradigmatic problem: as already indicated further up, there is a common sense in sciences as well as in everyday life that “market” refers to economy. Markets are commonly associated with merchandise markets (Weber 2006), the antagonists of hierarchy (Williamson 1975), the formation of prices (Coase 1990), or “sets of money-mediated exchange transactions” (Zafirovski 2007: 313). All these definitions are both true and incomplete: Weber himself adds to the market concept a non-economic dimension by defining economy as the *peaceful exercising of the power of control*.<sup>4</sup> Consequently, market economy can be assumed to be a specific form of politics, too. We could also say, that the market is a form of incentive scheme, and thus, a means of education, as well, and so on.

Markets are also said to be a means of the elimination (and the production) of scarcity. This may be wrong or right<sup>5</sup> given that we do not think on economic scarcity, alone: There is scarcity of votes, of talent, of (healthy) lifetime, or of educational titles in further markets of society, as well. Additionally, all spheres of society know *prices* as indicators for the effort necessary to get the *prize*, as well as means of their formation. Same with the concept of competition: politicians, athletes, religious confessions, and legal opinions are competing, too. And, of course, there is a most important difference between market economy and subsistence economy (cp. Luhmann 1988: 97). But, isn't there something like a subsistence art (*l'art pour l'artiste*, or better: art for domestic purpose) that is differing significantly from the

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<sup>4</sup> „friedliche Ausübung von Verfügungsgewalt“ (Weber 2006: 31).

<sup>5</sup> Indeed, there is some doubt due to evidence from ethnology and economic history on exchange systems focussing on the production (and elimination) of plenty (Mauss 1990, Bedford 2005: 60). In the Middle Ages, as well, holding court meant to demonstrate, to eliminate and to reproduce plenty. The scarcity model of economy, and, thus, of the market exchange, is a specifically bourgeois, viz. a third class, concept bearing the traces of class-specific scarcity experiences that have been passed down for a long time. We find that bourgeois economic (*housekeeping*) is the exact opposite of *holding court*. Nonetheless, the latter is a form of economy, too. Thus, it is comprehensible, ironic and finally consequential that the Marxian *Capital* focuses on this bourgeois concept of economy: For Marx, capital is an objectified form of renouncement (“Verzicht”), and, thus, the production (or elimination) of plenty is the *noblest* duty of a Marxist.

“market-art”, just like there is a difference of logics between private enterprises and public sectors<sup>6</sup> in *national* economies, too?

So, what is the hardcore of economy, then? Could we not say “money”, at least? Rather not, since Viviane Zelizer has quiet some experience with “differentiating monies” (2007: 1063) in its economic *and* non-economic forms, yet. So, if we can question the “market conception of money” (ibid.: 1063), then, again, we can question the economy bias of current market concepts, too. Even without going into detail, the bottom line seems to be that there remains no logical reason to assume an exclusively economic nature of markets, in the end. Thus, it is not a mistake to remember a time when economy was only one, and furthermore one rather marginal<sup>7</sup>, function of the Ancient agora, viz. the “total” market. As a result, the only reason for objection too a research program on non-economic markets and trans-economic exchange rates left would be definitional pragmatism:

“We can consider markets to be the intra-economic environment of the systems participating in the economic system, with this environment being both a different in each case and the same for all, at the same time. Thus, the notion of market refers not to a system but to an environment – but to an environment that can only be differentiated as system, i.e. the economic system, in this case. Therefore, as a market the economic system itself becomes the environment of its own activities ...”<sup>8</sup>

In the context of the present paper the major function of this definition is to stress that Luhmannian systems theory defines the market as the inner environment of the economy. As the theory knows further inner environments in politics (the public opinion), arts (the audience), or science (the scientific community), the argument is that giving up the semantical distinctions between these special forms of the general public of society would mean loosing the analytical gains of the concept of functional differentiation. But, we find that these gains are sometimes overestimated as demonstrated by Michael Beetz (2003) whose analysis couldn’t hardly identify a difference between the Luhmannian pan-societal public

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<sup>6</sup> Which, at least in English, automatically reminds us at the political dimension of markets, too.

<sup>7</sup> The point of trade at the agora used to be the stolas, viz. colonnades at the borders of the Ancient market places (cp Thompson 1954).

<sup>8</sup> „Als Markt kann man (...) die wirtschaftsinterne Umwelt der partizipierenden Systeme des Wirtschaftssystems ansehen, die für jedes eine andere, zugleich aber für alle dieselbe ist. Der Begriff des Marktes bezeichnet also kein System, sondern eine Umwelt – aber eine Umwelt, die nur als System, in diesem Fall also als Wirtschaftssystem, ausdifferenziert werden kann. Als Markt wird mithin das Wirtschaftssystem selbst zur Umwelt seiner eigenen Aktivitäten ...“ (Luhmann 1988: 94).

sphere, viz. the inner environment of society, and the public opinion as the inner environment of the political system.

Again, the bottom line is that there is no exclusive connection between markets and economy. Thus, we can ask what is so special about the economic part of the public that this formally marginally function occupied an entire space, word, and concept which once was a pan-societal one? And again, there may be some historical reasons for this economy bias (just to quote a classical idea we could argue that the mighty prefer traders to demonstrators, cp. Arendt 1958: 156), but there are no logical ones.

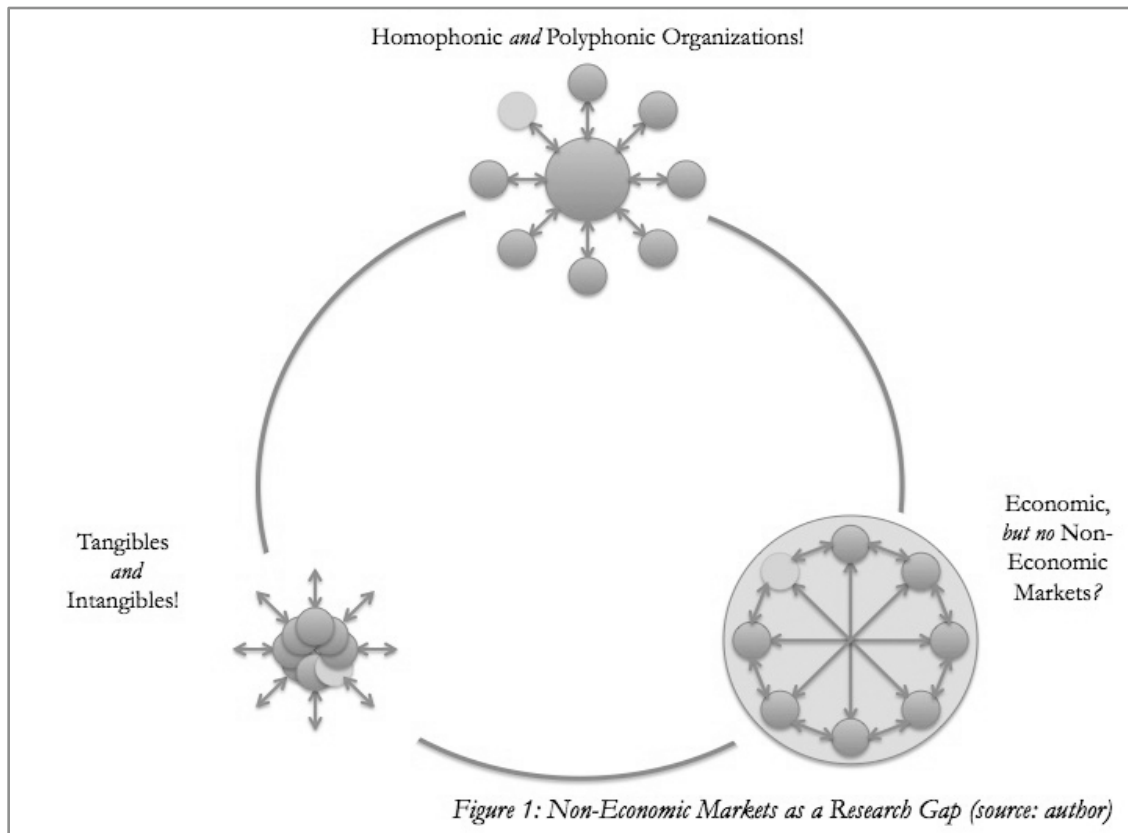
Thus, there is no reason for why we should not take the market for the pan-societal phenomenon or the total institution that it used to be from the beginning. Having said that, we will not equal market with public, at all. We just state that there are economic and non-economic values spheres each with their specific logic of value creation. And, as we carefully re-read the recently quoted Luhmannian market definition, we find that he does not say that the market was the environment of the economic (as he puts it briefly in Luhmann 1988: 91), in this case. What he said is that the market that is the environment of the systems participating in the economic system. So, let us have a look at the other side of the distinction: what is the environment of the market, then? Values are realized by means of decisions. Decisions are taken by means of organization (Luhmann 2006). As markets can be defined as horizons of decision calculi (cp. Baecker 2006a, 2006b), and as there are both economic and non-economic markets, we may say again that markets are not only inner environments of the organized economy. Rather, *markets are the inner environments of organization.*

According to the concept of functional differentiation provided by Luhmann (1997) we are able to identify *ten distinctive markets: the political market, the legal market, the religious market, the sports market, the health market, the economic market, the aesthetic market, the scientific market, the educational market, and, finally, the market of the media.* In order to deal with this multitude of markets it really takes a kind of multi-tasking organization.

### **The Total Market as the Inner Environment of the Polyphonic Organization**

Interestingly, sociology since Bourdieu (1986), and increasingly business economics, as well, agrees at least with the consequences of this multi-market concept: we are all aware of the fact that you can neither go and buy a bag of cultural capital nor acquire and invest social

capital on the economic market. The increasing number of publications on an increasing number of intangible factors and their increasing impact on economic performance clearly demonstrates that more and more organizations increasingly deal with immaterial or non-economic resources. Today, even the most *firm* firm is aware that it should no longer exclusively focus on the creation of economic value. Both this change and the reasons it is based on seem to be so obvious that corresponding organizational concepts like the polyphonic organization (Andersen 2003, Kronberger, Clegg, and Cater 2006) make a both fast and understated carrier.



The basic idea of the shift from organizational homophony to more polyphonic self-concepts of organization is something like a concept of a functional globalization: Today, a bank, a political movement, or a university may find that it has neither a national nor a mono-functional system of decision, anymore. This means that the internationalization and the loosened solidarity to one specific country are apparently accompanied by an inter-functionalization, which means a reduced focussing on the value of one single market of society. Today, banks calculate returns on philanthropy, new public management concepts

make administrations turn citizens into clients, and departments of universities are ranked by the amount of third-party funds they raised. In this sense, the non-economic market approach meets the yet existing concept of polyphonic organization, and fills a conceptual gap within a triangle consisting a) of intangible, viz. trans-economic resources, goods or, most generally speaking, values, b) of polyphonic organizations, and, now, c) of the trans-economic market(s) of society, as well (cp. figure 1, previous page).

Regarding our ambition, the most interesting aspect of organizational polyphony is that the concept works at every level of analysis. Not only ventures or institutions in economy, politics, science, education, law or sports but also clusters, regions or entire societies can be analysed as polyphonic systems of decision. This even applies to families (cp. Zelizer 2007), and, last not least, to the level of individual people, too<sup>9</sup>. So, we can say that everybody, every venture, and every society is also a polyphonic organization, and, thus, oriented to all of the ten markets of society.

### **The Exchange Rates of European Societies: A Research Program**

The major focus of the previous rather theoretical parts of the paper was on the discovery of non-economic markets. It also has been shown that each markets of the society bases on a specific value. The problem with these values is that they cannot be directly compared with each other: truth may be power, but how much power is truth then? How much money is power today? Would you prefer health or truth? What is the prize of a bachelor, and what its return? Nonetheless, not only the last example demonstrated that it is our daily business to somehow compare these incommensurable values. That is, there must be something like exchange rates between the corresponding markets of society. Against the background of what we called the “functional globalization”, the analysis of these exchange rates *between* economic, political, scientific, and further markets seems as much important as the analysis of the exchange rates between currency systems *within* economy.

Thus, the major hypothesis of the present empirical part of the proposed project is that

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<sup>9</sup> It is most important to state that neither in systemic organization theory nor in the context of our work the notion of decision does refer to psychic operations. If we talk about decisions, we are talking about specific forms of communication: the communication of preference, or better, of value-related expectations (cp. Luhmann 1988: 276, 2006: 66).



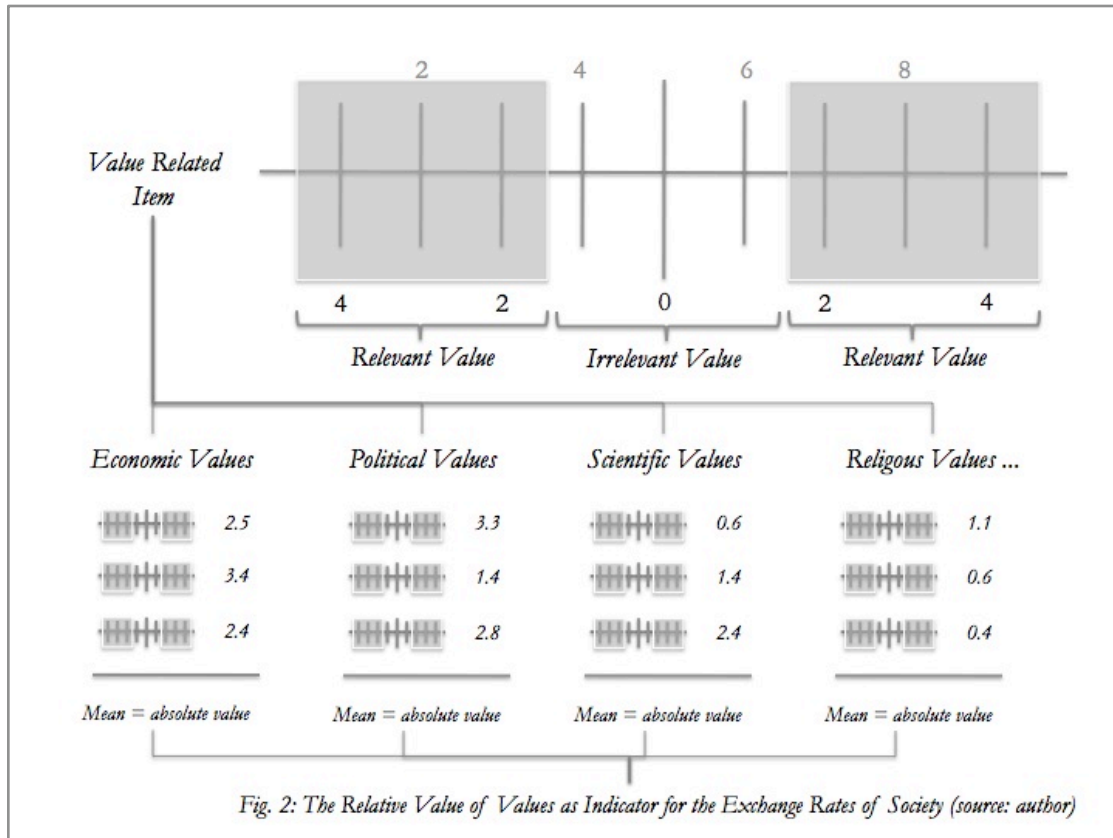
these exchange rates between the markets of society change over time: For example, religious or political values had a much higher relevancy during the Middle Ages or the French Revolution than they do have today. Thus, it is no mistake to say that the value of religious values declined. And it would be no mistake to assume that the relative value of political, scientific, legal or educational values can vary the same like the price of a specific currency at the stock exchange, as well. But, as indicated by the booming literature on intangible resources, the problem is to measure the absolute value of the “immaterial” value categories (political values, scientific values, economic values, legal values, religious values, and so on), not to mention the problem of defining their relative value: Who could decide whether truth is more relevant than power?

Nonetheless, everyday, we are defining the relative value of values by means of decision. Decision concerning the relative value of the values is required whenever there is a temporal or logical conflict between two or more categories of values: What if we found that democracy makes sick? Is health more worth than politics, then? Or more realistic: Is a balanced budget more important than the quality of education?

As already defined, decisions are realized by means of organization. Organizations, viz. systems of decision can be observed at all levels of society; people in all corners of the world, ventures of all scales, and even entire societies do have systems of decision.

Markets are defined as the horizon of decision calculi (cp. Baecker 2006a, 2006b), or in terms of systems theory: markets are environments of organizations. So, we have to assume that decision programs of individual, institutional, or societal decision systems base on and refer to values produced in the ten markets of society.

So, in order to find out more about these markets, about the relative relevance of the values created in them, and, thus, about their exchange rates we need both high-resolution information and summable data on decision programs. Given this, at no matter what level of society, the unit of analysis will be the intensity of dis-/affirmation to value related items within an adequately large and general sample: Important values are the result of important decisions. Thus, the more extreme dis-/affirmation to values of a certain value category is expressed, the higher is the relevance of the value category (cp. figure 2):



For example, the *European Social Survey* would provide us with representative data at the European Level within a clear, well-limited period of time (2002-2007). We could scan the data for value-related items and attribute each of these to one of the ten markets of society. Then, the absolute and the relative value of the values will be identified: The *absolute value of the value* will be indicated by the mean of the attention (relevance: intensity of value-related dis-/affirmation on the one pole versus disinterest on the other) drawn to values within one value category. The *relative value of the values* is deduced by means of a comparison of the absolute values of each value category.

It will be most interesting to focus and compare the system of the relative value of the value categories, that is, the specific exchange rates both over time and within certain geographical segments or levels of population of the European Society: Do the French think that politics is more relevant than economy? Is sport more important than arts for the Swiss? Do Estonians prefer science or education? What is the number one value category in Luxemburg? Which Sinus milieus like law more than health?

## Conclusions: The Solar System of Society

The analysis of the value of values is much more than just an academic game about functional categories deduced from theories that hardly have been operationalized and tested, so far. By means of studies on the exchange rates of society European Societies would gain *a more reflexive self-concept*. Imagine a small follow up project contrasting the results of the presented proposal with an analysis of the media landscape. Is the over-average presence of economic and political communication in newspapers and newscasts reflecting the relevancy of the corresponding values, or is it veiling the over-average relevancy of completely different ones? Is there really something like an *economization of (which) European Societies?*

On a more applied level the knowledge on the exchange rates is most important in the context of the management of clusters or regions: You cannot evaluate the *performance of a region* if you focus only on its success at the level of economic or political values. You cannot do successful marketing for a cluster without knowledge about the relative value of values within its (prospective) member structure. Generally speaking, the knowledge on the exchange rates of society leads to more adequate *marketing* strategies, or to more robust innovations (Roth 2008).

Regarding the methodological dimension of the project, one central outcome would be an *ordinal or even interval scale of the relevance of functional systems in European Societies*. Currently, incommensurable values are nominal variables, if at all. This alone would be worth further effort, already.

Of course, the present concept still lacks some crucial elements. First of all it needs to include Parsons work on the interchange between economic and non-economic subsystems of society. The concept of the total market and its trans-economic exchange rates as present in this paper will surely profit from this theoretical stimulation. But, it seems to be even more important to get more connected to the social structure focused concepts of the analysis of cultural change: Looking as these, at a first glance, it seems that cultural change analysis does neither know a concept of the relative value of the values nor a method for analyzing changes within the balance of functionally distinguished values. Concepts of the hegemony of values rather seem to be associated with more or less systematically arranged sets of values lived by the upper classes of society. Surprisingly, this applies to the work of Pierre Bourdieu (1986, 1987), as well, which we owe the basic idea of non-economic capitals and

their corresponding markets and, thus, should be critically recognized more intensively, viz. especially his works on *symbolic capital* where he assumes the amount of the “symbolic power” (Ibid. 1989) of a person’s specific set of values to be strongly correlated to the person’s position within the stratified social space, as well. The present research design would compare societal entities and entire societies by means of their functional preferences and expectations, instead. Thus, this functional focus of analysis would complement approaches focused on geographical or social class-related forms of differentiation.

The final contribution of this paper is a first peek through some kind of telescopium that represents a vision (cp. figure 3):

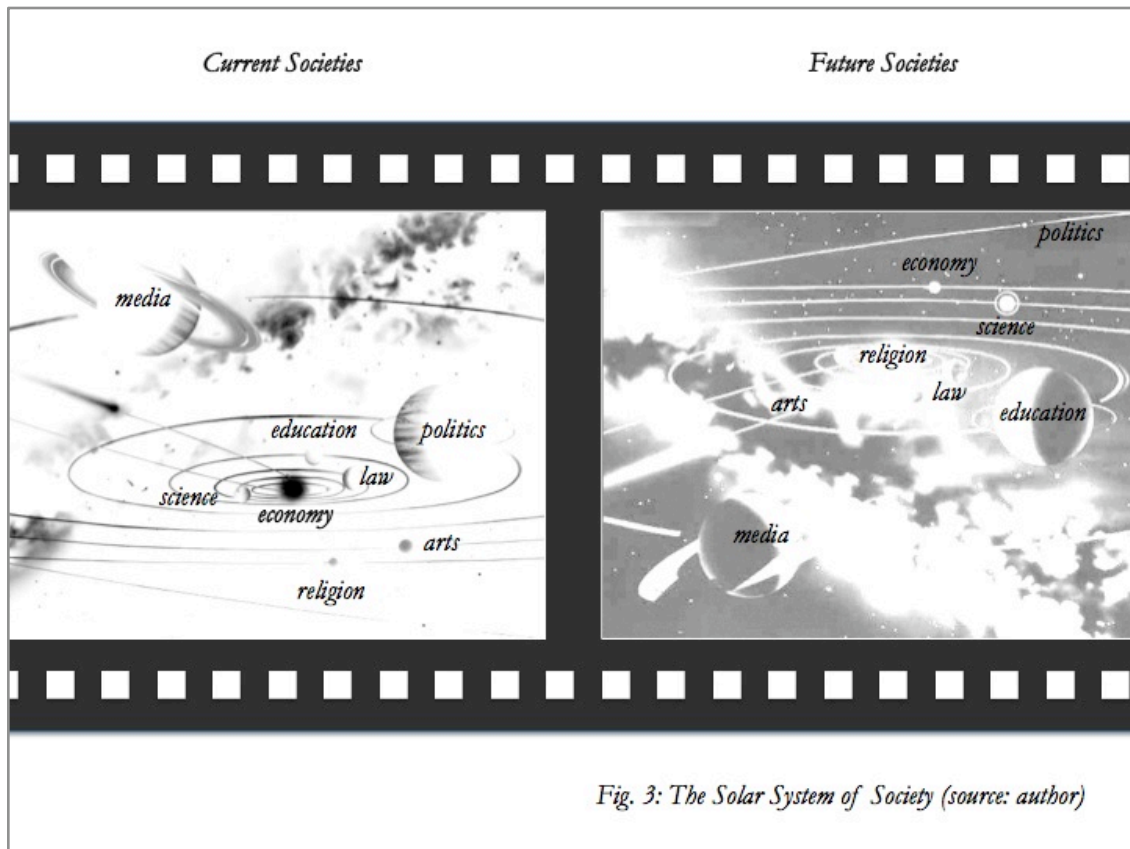


Fig. 3: The Solar System of Society (source: author)

Our vision is to find out more about the trans-economic exchange rates of society, which is like measuring the gravitational forces of the markets of society and their related values. We want to observe whether and how these forces change over time and differ within (social) space. Maybe after some time of observation we find out that our intuition is right and our cosmos is still centered on a politico-economic double star. But, as the case of religion in the

Middle Ages demonstrates, at all events, the temporality of social reality implies the chance of an Copernican Turn ...

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