



Market Sociology

Lecture 7

*Assoc. Prof. Dr. Steffen Roth
Department of Sociology
Yerevan State University*



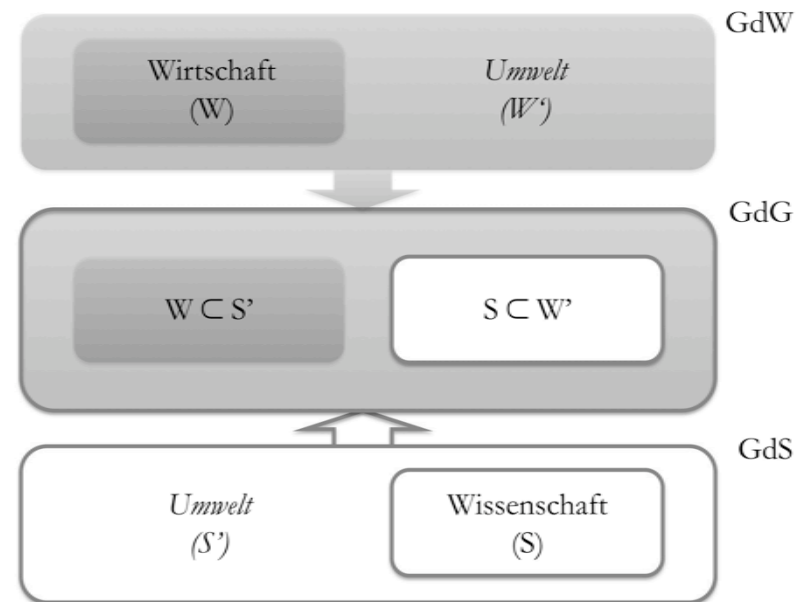
Markets as the inner environment of the economy: Niklas Luhmann

“We can consider markets to be the intra-economic environment of the systems participating in the economic system, with this environment being both 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 which 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 ...”.

Talking about the economy means talking about functional differentiation.

Markets as the inner environment of the economy: Niklas Luhmann

Functional differentiation



Markets as the inner environment of the economy: Niklas Luhmann

Functional differentiation

‘Money’ as a means of ...

Doing economy.

Doing arts.

Doing mass communication.

...





**Markets as the inner environment of the economy:
Niklas Luhmann**

The economic system

Function?

Communication of scarcity.

Mode of operation?

Payments.

Basic definition: The totality of all money-mediated communications.



Markets as the inner environment of the economy: Niklas Luhmann

The take-off of economy

- 1) Barter, i.e. immediate exchange of goods/services for goods/services between two partners.
- 2) Exchange of goods/services for a payment promise (commodity money, deposit).
- 3) Exchange of goods/services for a third party's payment promise (transfer of bills of exchange).
- 4) Paper money system ensured by a central bank, in which bills of exchange themselves can be exchanged.
- 5) Cashless systems, e.g. credit card service providers (mere 'booking').



Markets as the inner environment of the economy: Niklas Luhmann

“We can consider markets to be the intra-economic environment of the systems participating in the *economic system*, with this environment being both 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 which 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 ...”.

Systems participating in the economic system:
Households, corporations.



Markets as the inner environment of the economy: Niklas Luhmann

Systems participating in the economic system:
Households.

Capital investments.

Bourdieu: Capitals are real value ('accumulated labor')
relativized by other real values.

Luhmann: Capitals are a horizon of investment
alternatives, i.e. are potentialities competing for
realization.

Markets and double contingency:

- Prices as forms of payment expectations.
- Prices and investment decisions.



Markets as the inner environment of the economy: Niklas Luhmann

Referring to ‚the market‘, the ‚participating systems‘ refer to everything in terms of prices (qualities of investment opportunities).

In this way, the economic system creates an image of its environment, which, however, is still part of itself.

→ Inner environment, both of the ‚participating systems‘ and of the economy.

→ External observation *plus*

→ Self-observation of the economy system.



Markets as the inner environment of the economy: Niklas Luhmann

“We can consider markets to be the intra-economic environment of the systems participating in the *economic system*, with this environment being **both 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 which 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 ...”.



Markets as the inner environment of the economy: Niklas Luhmann

“We can consider markets to be the intra-economic environment of the systems participating in the *economic system*, with this environment being **both 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 which 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 ...”.

Questions: Where is communication in this game? How to empirically observe markets like these?