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VERY PRELIMINARY DRAFT!

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A theory of contested modes of valuation, applied to markets for singularities

I. Why singularities markets need an expanded value theory

This essay deals with singularities, a particular kind of product, one that differs from the conventional product assumed in microeconomic theory. Singular products are movies, comic books, video games and museum buildings, in short, all the products generated by the Creative Industries, including tourism, sports and gambling. Singular products are non-repeatable, they happen once and never again (McCain 2006). They are consumed when they are new – which may be at the time of their material appearance or at the point in time when a player (an agent, an actor) comes into contact with the singularity. To be new means to be uncertain, in terms of qualities, future performance and preferences among players.

Conventional market theory assumes quantities of repeated goods, provided and consumed by many agents. Even if the model is constrained to the case of bilateral monopoly, the exchange value of the commodity is still assumed to be known in all its properties. Under such conditions, markets for singularities would not exist – yet they thrive and increase their share of total production value. This incongruity has been noted and dealt with by Lucien Karpik: “Singularities are multidimensional, uncertain, and incommensurable; the consumer is searching for the “right” or “good” singularity; quality competition prevails over price competition; and the market is opaque. These and other features are foreign to neoclassical theory; therefore, another theory is needed to explain the functioning and evolution of singularities markets (p.20).” (Karpik 2010) The economic relevance of such singularities markets is fairly evident: they are a way of turning uncertainty from a negative into a positive property (Bianchi 2014; Klamer 2014). They might add even more value if it became possible to include a larger number of the singularities that are continuously created into an adequate form of social valuation.

Karpik goes on to identify institutional forms that make it possible to transfer quality judgments from a small group of experts to the large group of potential consumers. Among them are restaurant guidebooks and concert reviews, prize juries and online rankings. Karpik's elaborate architecture of coordination regimes for 'judgment devices' might possibly be patched onto the corpus of conventional theory, under the heading of institutions that aid in transactions with incomplete information.

I will argue that the problem of determining the value of singular products is more profound, because singularity valuations are not only determined by those agents that participate in the market game, but also by those who participate in two incommensurably different modes of social valuation. In other words: it will be assumed that any newly appearing singular product – a newly designed car, a newly performed opera, anyone's next stay in a hotel – can be assigned a socially coordinated value in three different modes: a mode of exchange, a mode of appraisal, and a mode of valorization. In each of these modes, the question to be answered is: to what is the singularity/novelty equi-valent? What is of equal value? Furthermore, it will be argued that, because of their incommensurability, the three modes are on differing tiers of relevance in various fields of action beyond commodity markets, like art scenes or academic disciplines.

Before I move on to defend my claim by describing the three modes in greater detail, one general feature needs to be discussed. Any kind of social valuation depends on certain marks, be they natural or artificial, that can be re-cognized by all the players involved into a particular social play, like the game of owning resources, or the game of discovering new knowledge. These marks are partially external, yet accessible for most of the players. Partially, they are internal and refer to certain mental and emotional sensations. Even if their internality prohibits inspection, vocabularies have been developed that convey the score on such marks effectively. In all three modes, therefore, we will encounter a range of practices, distinguished from each other by the proportion of their reliance on external and internal marks of valuation.¹

¹ See also (Hutter 2011). The enumeration of modes follows a different scheme than the one suggested by Dekker (Dekker 2015). His „third approach to the study of art and culture“ would encompass my modes of appraisal and valorization.

II. Three modes of valuation

1. The mode of exchange valuation

This is the kind of mode with which economists are most familiar. Things of ‘equal value’ are exchanged between players. This means that use rights and obligations connected to the goods are switched. Most transactions exchange such bundles of property rights and obligations against money tokens of future buying-power. Their value is measured in terms of their rate of exchange with other money currencies. The maintenance of these monetary systems, usually inscribed into a two-tiered banking sector, is one of the greatest institutional achievements of human civilization. However, the complex network of assets and liabilities that links all financial institutions has recently shown its precarious artificiality. Yet, it still has enough credibility as an external mark of value to serve as a standard of social reference, and thus to generate a sufficiently stable price level upon which all the transactions of commodities, including those that involve singularities, can be based. ‘Pricing’, in this context, refers predominantly to the actual performance of giving up an amount of buying-power for access to things, including new things.² But it also refers to the much narrower act of announcing a price value for a new commodity, based on the expectation that potential users will find out about it and pay the quoted price for their access.

Exchange by paying prices is a mode of valuation that relies on the elaborate construction of the monetary system to provide the agents with valid, credible, seemingly external tokens of their wealth. In contrast, exchange by presenting gifts relies more strongly on internal capacities of players, notably their memory and the gift-receivers’ sense of indebtedness to the gift-givers (Hyde 2007). Gift-exchange is still lively in modern society, from the bottle of wine brought to the dinner invitation to the award of prizes or residencies to ‘worthy’ persons. As anthropological research has shown, gift-exchange generates reciprocal social ties, and it conveys prestige onto the gift-receivers as well as the gift-givers (Mauss 1954). Today, gifts are given in monetary form, and they are often performed by representative boards of large foundations or state administrations. These agencies become active out of a sense of indebtedness to the creators of new singularities.

The creators, in turn, quite often consider their artifacts as gifts to their audiences, be they small or large. They speak of profusion, prodigality, extravagance, and of waste. Creators still

² „Things“ are meant to include objects, services and information products.

employ exchange valuation when they create ties through gifts to family, friends and to all those who help them to utilize the pricing variety of exchange as well, like gallerists and collectors in the case of new visual artworks. There is an assumed equality of value between the enjoyment of the newly created singularities to the members of an audience, and the gifts of applause and of collective support given by the audience. Gift-giving is strengthened by the fact that many entertainment goods consist of newly arranged information, which means that they are public goods and therefore difficult to price. The reliance on the internal bonds created by gifts is a way to deal with these particular cases of market failure. Since the awarding of prizes, differentiated in value by their prestige and their volume of money, is a central device in contemporary gift-exchange practices, ‘prizing’ is suggested as a descriptive term for this polar end of the exchange mode.³

2. The mode of valorization

It is an arduous task to interest an audience in experiences that might take place in the future. If a novel or a movie draws its attraction from a strategy of suspense, of not knowing what will happen next, then it is impossible to let the consumers try out the product and get her or him to buy it afterwards. Yet, it is possible to talk about the singularity, to show images connected to it, and to cite prestigious sources that testify to their outstanding experience. The general approach is quite evident: A prospective audience is exposed to information that connects the new thing with already known things that have gained prestige for their continued ability to amaze and inspire. The new thing is positioned on the same level of social estimation as the things and persons made reference to, it achieves equal value – with ‘value’ interpreted as ‘valor’, ‘reputation’, ‘prestige’ or ‘fame’.

Around commercial products, the common term for such activities is “advertising” or, as a more general field of activities, “promotion”. It is a well-known fact that the promotion budget for major movie productions and videogames is as large or larger than their production budget (Vogel 2011). Yet, economic theory is mute on these activities. Except for sporadic contributions by Nelson (Nelson 1974) and Becker/Murphy (Becker and Murphy 1993), the particular kind of information processed in these activities has been overlooked – for logical reasons: If advertising is more than simply information about objective product qualities, if it

³ This deviates from the terminology introduced by John Dewey. Dewey (Dewey 1939) uses ‘prizing’ - in the sense of “holding dear” - for a mode of valuation that I will call ‘praising’ in the next section.

even constitutes part of the valued experience, then the very fundamental notion of ‘complete information’ would have to be replaced by a concept of indeterminate information, where both information about and information as a singular good generate added valor.

Valorization operates with imaginary reference points. They can be infinitely far away, positioned in an ideal space, either timeless or historically grounded (Hutter 2011). They can address the desires and fears of their potential audiences. Audiences are communities, not simply scrums of people. They have their internal means of intensifying or silencing voices in the talk around a prospective or just appeared singularity. In consequence, as in the mode of exchange valuation, practices range from the employment of ideal, seemingly objective and external marks to the use of internal, emotionally charged marks. The first group falls under the rubric of ‘critique’, the second under the rubric of ‘praise’.

Critique generates value by setting the singularity against an imagined ideal or yet unattained position. Value is perceived as negative digression, be it minor or major. Critique is a very old practice, and it has received detailed attention by social theorists, culminating in a specific “sociology of critique” (Boltanski 2011). Critique encourages controversy about future states, and thus unrest. This may be the reason for the absence of critique in economic theory: the term ‘critical’ has been reserved for approaches that de-value equilibrium theories of resource allocation by emphasizing resource and wealth distribution (O’Connor and Oakley 2015). Such ‘critical’ approaches start from an ideal wealth distribution and esteem social theories for their ability to approach that state, rather than their ability to analyze current conditions. As a consequence, the varieties of critique that are constantly applied in the creative industries, from book reviews to internal quality assessment, are overlooked.

Artistic critique has received particular attention among social scientists and artists for a number of reasons (Boltanski and Chiapello 2005). Firstly, social critique has recently been shaped by artistic ideals. The collective ideal of emancipation has changed into an ideal of self-realization, of ubiquitous creativity. Secondly, artistic forms, like theater, are able to create imaginary experiences that contradict everyday reality. Thirdly, the constant flow of novelties in all artistic genres has led to rich tradition of reviewing the new appearances. Reviewers of novelties tend to use a mix of critique and praise, eager to please their peers (who constitute their immediate audience), and to fulfill the expectations of their wider audience as well as their sponsors and employers (Chong 2015).

Collectively shared ideals are volatile, and the gap between the few winners in the constant battle for attention and the many losers is wide. Those with minority judgments and failed predictions lose reputation and audience. The institutional field is in rapid transition because digital technology has enabled new formats. Today, most singular service performances – like travel, healthcare or dining - are exposed to online critique, expressed in negative digressions from the five-star-maximum.

Praise generates value by setting the singularity against imagined internal marks of sensory achievement and joy. It operates with positive digression, stresses the extraordinary qualities, suggests the attainment of positive feelings – of beauty, speed, satisfaction and trance. Even automotive machines are packaged into visual and verbal moves that makes it possible for their users to “hold them dear”, as Dewey phrased it.⁴ Praising is positive valorization, it is the mode of valuation that turns consumers into fans, or , literally, amateurs, *Liebhaber*. Praising can be performed in spontaneous comments on an experience. It also takes place in elaborate campaigns, involving large alliances between persons in industry, politics, media and science, who collude in order to push the adoption of a specific technology which, once established, would become standard and thus singular (Canzler, Galich et al. 2013).

From the perspective of conventional economic theory, one might take note of critique and praise as variations of ‘cheap talk’. One might go as far as allowing for adaptive preferences, since choices are systematically influenced by the value judgments of others. But there remains a further, very basic obstacle: the prestige value of new things cannot be determined by internal, stable preferences or tastes if the novelty has not yet been experienced. The prestige – or rejection - value of a new singularity is therefore established by a distinct mode of valuation, the mode of valorization, a composite of critique and praise.

3. The mode of appraisal

Economic theory usually assumes that the relevant properties of a commodity can be measured in given scales of ‘values’. Those values might be drawn from physical properties, like volume, temperature or noise-level, or from social standards, like grades of risk-aversion or financial performance ratings. Based on the measured values, and aided by a calculus to

⁴ Dewey uses the term „prizing“ for this kind of context.

homogenize multiple value dimensions, experts can appraise a new singularity, even if a particular variation has never been seen, heard or felt before. Such a mechanism of appraisal is taken for granted in conventional theory. It operates seemingly frictionless, and the cost of conducting appraisals in public and corporate budgets is ignored.

As in the case of the two other modes of valuation, players employ external as well as internal marks that are recognizable by their immediate audience of peers, and by a wider audience that expects their judgments in order to adjust their own expectations of something that is desired or feared in the future (Hutter and Stark 2015).

Testing practices employ criteria for quality characteristics that are external to the evaluators and their audiences. The criteria are expressed in numerical magnitudes called ‘values’, making them countable and comparable. Measurement along a multiplicity of scales is at the core of these practices. Tests take place in laboratories where contingent circumstances of measurement can be controlled, or in contests where a competitive game or a trial takes place, or in techniques that try to sample small pieces of the performance of a novelty.

Testing relies on projections that connect the test results to the results achieved in the actual performance of a novelty, be it a children’s toy or a new generation of aircrafts.⁵ The projections are based on specifications that are negotiated between those involved – inventors, commissioners, users, producers and engineers. As long as a common belief in objective criteria holds, testing practices find widespread support. They are even extended to fields of singularities that are very difficult to measure, like the performance of organizations or institutions of learning. They are part of the growing number of evaluation practices.⁶

In *tasting practices*, valuation employs bodily sensory data as criteria for quality characteristics. Individuals smell, view, hear, touch and savour the new experience in front of or around them, and they find terms to express the experience in words and body-language. The tasting of wines is a frequently observed and cited example. The participants could be experts equipped with training, vocabulary, knowledge and the memory of previous similar experiences, but also newcomers who try to master the “pragmatics of sensory attention”

⁵ See (Pinch 1993). He draws his conclusions from a case of contested technical specifications in constructing new aircrafts.

⁶ Lamont (Lamont 2012) unfolds the complex field of evaluation practices, but also points to the possibilities of active valorization, as discussed below.

during the tasting moment (Hennion 2015).

The development of tasting practices into wine seminars and cooking workshops suggests that singularities can be produced on the basis of other types of singularities if the very act of exploration, as another variety of appraisal, is valued and desired in a tasting or even a testing collective. Tasting has a similar challenge in combining the various ‘values’ gained by several senses into one coherent judgment. Therefore, combinations of sensory data can be synthesized into judgments within the more general pattern of a recognizable social taste.⁷ In consequence, novelties are frequently designed to appeal to players with a sense for certain cultivated preferences, and those who design and distribute the singularities expect them to pass the judgment of acknowledged arbiters of that particular taste collective. It is inevitable that such judgments also employ the registers of critique and praise, they might even be linked to exchange activities with publicly communicated prices. However, the hierarchical or heterarchical relationship between the three modes deserves to be discussed in a separate section.

III. Solutions for contesting modes of valuation

Three different ways of interpreting the meaning of “value” have been presented: value expressed in sums of money that are paid or given away, value expressed as critique and praise, and value as a set of measured and tasted indicators. When singularities are to be valued, the second and third mode play a much more prominent role than in the case of standardized commodities. Still, the three modes remain incommensurable. There can be no higher, more abstract mode or calculus that could homogenize the results and lead to unequivocal rankings of the added value generated by all the singularities that keep appearing. This incompatibility is a strength: together, the modes position the new thing in different universes, the universe of social exchange, the equally social universe of communicated desires and fears, and the universe of objectified social appraisal. Still, different social plays must have found ways to employ all three modes without being bogged down by their contest for priority.⁸

⁷ In German, it is the term *Geschmack*, initially used for savouring food in the mouth, that serves also as an expression for social taste collectives. On the development of ‘taste games’ during the 18th century, see Hutter (Hutter and Stark 2015).

⁸ On the notion of social plays, including commercial games, see Hutter (Hutter 2015).

The solution seems to be an internal heterarchy of relevance in using the three modes: One mode is employed in the foreground, front-stage. A second mode is employed in the background, on an institutionally separated back-stage. The third mode remains implicit, or behind and around the stage. It is rarely called upon, even though the players are well aware of its operation. I use the term ‘heterarchy’ rather than ‘hierarchy’, because the relationship is one of multiple authorities.⁹ Keeping a mode back-stage or implicit does not submit the mode under one of the two others (which would be a valuation in itself), but simply removes it from the well-delineated front-stage social play. For each of the six permutations of order allowed by the three modes, one can find fairly obvious examples.

A first variety is offered by *research in economics*. The actual front-stage activity values itself in terms of appraisal. Perception and reception are central categories. New, singularly important results are presented, based on elaborate methods to establish their statistical significance. In the background, the referee system determines whether a result is judged to be important or not. The review criteria are rarely objective, more often they are set by the judging experts according to their compulsions and repulsions – which can indeed take very physical forms of admiration or anger. The third mode, indicating the exchange value of labor and capital investment into the research process, remains implicit. It often is opaque, but even if it becomes transparent, efforts are made to isolate money transactions from the process of valuing new research results.

The second variety can be observed in *art scenes*. The constant flow of new pieces, compositions, performances and books is treated front-stage with practices of valorization. Most of them use variations of praise, some of them specialize in critique. Many new works never make it onto the attention screen of the valorizers, they remain hobby items for creators and their immediate audience. Back-stage, artworks are estimated by the exchange value that they can generate on the primary or secondary art market. Since the social effect of artworks depends strongly on their recognition in networks, their demand follows a power-law distribution (Prinz, Piening et al. 2015). This dynamic can drive prices for commodities in extremely thin markets into galactic magnitudes that make the prices much-discussed singularities in themselves. The front-stage talk, however, maintains that such valuation takes place peripherally, as in art fairs or auctions. New relevant artworks, instead, are assumed to

⁹ The term has been suggested by Stark (Stark 2009).

be found among the entries selected for one of the many biennale exhibitions staged worldwide. The third mode, appraisal, remains implicit. It is simply assumed that an artwork is correctly indicated in terms of its author, properties and provenance. In rare cases, the claims are challenged and a social re-appraisal takes place. The effect of such action can be studied following the *Rembrandt Project*, when paintings that were declared not to be by the hand of the painter lost their exchange value as well as parts of their attributed value (Hutter and Frey 2010).

A third variety can be observed in markets for *new technical products*. Here, exchange value is in the foreground, for private as well as public users. Performance, revenue, cost and other indicators can be expressed in monetary terms, and the price attained follows from such estimations. In the background, appraisals play the major role. Since the products are new, their performance is inevitably questionable, and so is the more volatile taste or preference for certain kinds of technologies. Shifts in the results of tests and the composition of tastes will eventually lead to changes in the exchange value of the new products. The mode of valorization remains implicit. When qualities are physically embodied, there seems to be little leeway for uncertainty, particularly for positively valued uncertainty. Yet, the inventors and producers of new technical products are well aware that forms of praise and critique can enable or prevent the success of a novelty.

One could go on to discuss examples for the remaining three permutations of order: exchange – valorization – appraisal, appraisal - exchange – valorization, valorization – appraisal – exchange. However, the point to be made seems to be sufficiently established: the variety of orders of relevance predicted can indeed be observed in historical reality. In some practices, the hierarchy might seem muddled because certain individuals or groups gain from a strong allegiance to one of the valuation modes and therefore contest an alternative ‘ordered heterarchy’.

For economic theory, the potential consequences take place on several levels. On the level of analyzing markets for singularities, like the ones emerging in art scenes, ways might be found to take not only exchange value, but also the effects of valorization and appraisal into account. If value cannot be assigned in any mode, then the singularity remains without attention, no added value can flow from it. On the level of presenting academic results as singularities in specialized research scenes, ways might be found to integrate practices of

economic research into the larger context of a societal theory.

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