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Towards a sociology of prices: an interview with Fabien Eloire and Jean Finez

1. You recently published a book about the sociology of prices. How did you come to this topic and why did you want to write a book about it?

During our respective doctoral research, we were both concerned with prices and we started to exchange ideas on this issue. In fact, our dialogue on pricing is not a coincidence: we did our thesis in the same research laboratory of the University of Lille (Clersé) which includes both sociologists and economists. One of us (Fabien) studied the question of price through a survey of the restaurant industry. In this case, price is a signal of quality and is used to calculate the parameters of a model for market analysis, inspired by Harrison White¹. Specifically, this work investigates the link between price and quality ratio, and entrepreneurs' profit strategies, and shows how, despite higher prices, gourmet restaurants make less profit than other cheaper and larger restaurants. The other (Jean) studied the issue of train ticket prices set by the French state-owned company SNCF from a socio-historical perspective. More specifically, this research studied the implementation of a new pricing technology called yield management, aimed at maximizing profits by varying prices according to the level of demand in a sector traditionally removed from market regulation². From two different fields, we discovered the richness of the literature on the issues of value and prices, especially since the 2000s.

We realized that there was a lot of sociological work on prices and pricing, but that there was no comprehensive book on the subject, either in French or in English. So, we decided to go for it. Numerous studies in the sociology of markets no longer hesitate to study prices and pricing methods. This was not always true. When they studied economic phenomena, sociologists initially paid little attention to prices, or even deliberately distanced themselves from them, in favor of the question of quality. It took time and a certain maturity for sociology to "dare" to venture into the question of prices, which had long been considered the exclusive domain of economists. As Talcott Parsons expressed it in his time, a division was well established: to economists the study of value, to sociologists the study of values. The existing literature shows that this "pax parsonia" is no longer relevant: from now, price, as well as market, has become a legitimate sociological topic.

2. How did you collaborate on this book and what were the major challenges you faced when writing it?

We started to collect a corpus of articles and books in order to have an overview of this field of research. From this first bibliography, we realized that many works of sociologists were interested in the question of price setting. We discussed at length and agreed on the possibility of organizing our work around a typology (to which we will return later). The writing was done separately at first, dividing the chapters between us, then going back and forth on the texts to finally read them again and write them together. It's a real four-handed text.

Let's talk now about the difficulties we encountered. The first difficulty relates to the format of the book requested by the publisher. La Découverte's "Repères" are a collection of short synthesis books, intended for a wide audience, including undergraduate students. The size of the bibliography is limited and has to focus on the literature available in French. So, we had to

¹ Eloire Fabien, 2010, « Une approche sociologique de la concurrence sur un marché Le cas. des restaurateurs lillois », *Revue française de sociologie*, vol. 51, no. 3, pp. 481-517.

² Finez Jean, 2014, "Ticket Pricing by the French National Railway Company (SNCF), a Historical Sociology of Tariff Setting. From Tariff Equalization to Yield Management (1938–2012)", *Revue française de sociologie*, vol. 55, no. 1, pp. 5-39.

make choices. One frustration is that we were not able to include reflections in history and anthropology.

The second major difficulty was to decide which works we should include in our corpus. We decided not to mobilize the economists' works and theories on prices. This is obviously not due to a lack of interest from our side, but rather to give internal coherence to our book. We believe that it is this choice which makes the book unique, since it really highlights the existing sociological literature. Generally speaking, we notice that economic sociologists feel less and less obliged to position themselves in relation to the economic sciences, particularly in order to criticize them, which seems to us to be a good thing!

The studies dealing with the question of prices and value in economics are so numerous that it would have been futile to try to make an extensive overview of them, and this was not the aim of the book. We considered that the dialogue between economics and sociology is beyond the scope of our book. The interdisciplinary dialogue is therefore not at the heart of the book, but our work will, in our opinion, make it possible and easier. What sociology has already produced allows us to better build this dialogue by developing a clear proposal on the mechanisms of price setting.

Our work thus creates a basis for discussion that will allow us to go further both on a disciplinary and interdisciplinary level. It was a real challenge to try to think about prices and pricing based solely on the work of sociologists. This is part of a process of autonomy of sociology with respect to other disciplines, in accordance with the Durkheimian approach that we claim.

3. You start your book by problematizing the notion of price. How do you define what is a price and how does it differ from other definitions both within economics and economic sociology?

Our book was based on a definition of prices built up gradually, as we read and summarized research. We ended up adopting a broad conception of prices. We assert that "a price can be conceived as the counterpart in money of a right to acquire or enjoy a good, a service or a labor force". This implies that, of course, prices emanate from exchanges made in socio-economic spaces. But these prices are not necessarily the result of free transactions between atomized actors driven by their own interests, and the products of competitive mechanisms. They can also be linked to other institutional processes, based on non-economic values or on public monopolies. This broad conception of prices allows to include, too, different forms of compensation for work (wages, fees, bonuses, salaries, etc.) and to overcome an opposition which is regularly used in the literature, between prices and tariffs.

Some authors emphasize a structural opposition between, on the one hand, the administrative fixation of tariffs and, on the other, price formation in a competitive market. However, this opposition fails to take into account the hybrid nature of many empirical situations. As current events show, governments regulate the energy sector. It is true that the prices of petrol, gas or electricity depend on the level of supply and demand on the European or world markets. But in times of health or geopolitical crises, they intervene to protect households and firms from sharp price rises. In our book, we therefore propose to consider price as a plural entity that can, depending on the situation, be called a tariff, a fee, a rate, a tax, a salary, etc. Thus, the book focuses on the mechanisms of price setting, which are often described in great detail in sociological researches, and shows that these mechanisms vary according to the type of object exchanged, the actors involved and the tools used.

In short, we did not want to limit the notion of price only to market prices! Rather than to oppose the different prices, we wanted to draw a continuum from the diversity of situations described in the empirical work of social scientists. Our choice to move away from the standard economic definition of price as the result of the encounter between supply and demand was ultimately fruitful. It highlights the plurality of actors, institutions, and practices involved in price setting. It also shows that prices can be set by a variety of mechanisms, such as auction, bargaining or administrative fixing.

3. What do you see as the relation between how economists and sociologists theorize prices?

When sociologists become interested in prices, the question of interdisciplinarity quickly arises. How to deal with prices, an object that spontaneously belongs to economics? Moreover, in a context where neoclassical economists have produced a theory of market prices, which today dominates the common thought on this issue. This theory is no longer just a body of academic knowledge. It is incorporated into the social representations of prices used by the actors, and it has an effect on their actual practices. This is what Bourdieu calls a "theory effect", or what other sociologists like Callon call "performativity".

In our book, we show that although sociological theorizations of prices exist, unlike economists, sociologists do not seek to build a single price-setting model. Rather, they start from specific empirical fields, such as contemporary art, financial products, foodstuffs, etc., in order to draw up contextualized analytical models that take into account the specificities of the goods exchanged and the concrete social practices of actors.

More generally, when reading this sociological literature on prices and pricing, one realizes that the set of a single theorization of price formation, which would be both ahistorical and universal, is neither likely possible nor even really desirable. This is not to say, however, that the development of theories on prices in sociology is vain or that, as some authors say, a division of labor exists: to sociologists the empirical descriptions of price setting based on field surveys, and to economists the formulation of a general theory of prices. Rather, we consider that what exists is a plurality of empirical situations that result in the coexistence of different types of prices according to the social spaces considered, and therefore different ways of setting them, which do not all derive from the same model.

Considering that all prices are or should be governed by the so-called law of supply and demand, because competition is the basis of market efficiency, is a normative approach, already clearly outlined by Durkheim. This approach is undoubtedly dominant in economics, but it is far from being shared by all economists. In fact, many different schools of thought claim to follow an institutionalist approach³. These researchers emphasize that regulation by the market, and its corollary the market price, are not the only legitimate form of organization of economic exchanges. If there are epistemological differences between sociology and economics, there also exist divergences within these disciplines. This explains the complexity of understanding prices. It is also what makes interdisciplinarity possible between economists and sociologists, as long as they share the same desire to place institutions at the core of the analysis.

³ See for example: Orléan André, 2014, *The Empire of Value. A New Foundation for Economics*, MIT Press, Cambridge.

4. You mentioned Durkheim. In your book you discuss the importance of the Durkheimian legacy in the sociology of prices. What is this legacy and what do you see as its main accomplishments?

Prices are social facts, and we propose to consider them as things, without any preconceptions on our part. We do not seek to determine what is a "true" price, a "good" price or a "fair" price... We are interested in the way in which, in practice, social actors make prices.

Durkheim challenged the idea that the law of supply and demand is an explanatory principle of price setting. In his book *The Rules of Sociological Method*, he explains that this "law" is rather a maxim of action than a generalizable rule, which would be valid in all places and at all times. Indeed, historically, there are many situations where the supply and demand balance does not fully play out. It is then appropriate to examine these situations and to understand why some prices do not depend on the supply and demand mechanism. Several studies show that the effect of supply and demand on prices can be neutralized in the name of various religious, moral or political principles⁴. Prices are also regulated in crisis situations, in an attempt to limit opportunistic behaviors of speculators and forms of enrichment deemed illegitimate, to avoid social inequalities, to limit the risks of revolt, etc.

In fact, investigations allow us to realize that the link between the level of price and the mechanism of supply and demand is not a given, or is in any case strongly tempered by other equally important social factors. And this is the second contribution of the Durkheimian approach: in order to understand the monetary value attributed to things, it is necessary to study empirically prices, considering them for what they are: the expression of beliefs and representations attributed to things, which manifested in people's tastes and in their desire to appropriate these things. Things have no value or utility in themselves. What interests the sociologist of prices is therefore to know how prices are set in practice and in the reality of the society concerned.

5. How do the more recent works in economic sociology relate to this legacy? What do they draw from it and how do they differ?

It seems to us that much research in contemporary economic sociology refers, without specifying it, to what we call the Durkheimian approach to prices. In this perspective, price is not only an economic phenomenon, it is also a "worth" whose analysis refers to that of social facts. We realized that if prices are of interest to sociologists, it is because the basis of prices is above all made up of social practices. Price setting mobilizes individuals and institutions, it is a source of conflict, arrangements or strategies, and it presupposes devices, formulas or calculation instruments.

This statement is undoubtedly too general and should be tempered since, obviously, not all sociologists claim to be Durkheimians. In order to account for the diversity of sociological analyses of prices, the first chapter of our book is devoted to the presentation of two major perspectives. The first perspective mobilizes the notion of quality, and analyzes prices through the practices of qualification of which they are an element. As for the second perspective, it focuses on valuation operations from before to after to market exchanges and places prices within the continuum of measurement practices to which they belong. These two approaches complement each other rather than they oppose and invite us to consider prices as the outcome

⁴ See for example: Thompson Edward P., 1971, "The moral economy of the English crowd in the eighteenth century", *Past & Present*, 50(1): 76-136; Zelizer Viviana, 1994, *Pricing the Priceless Child. The Changing Social Value of Children*, Princeton, Princeton University Press.

of a wide range of pricing methods, which we have summarized into a typology, as we shall see below.

7. You mentioned your typology. One of the main contributions of your work is to introduce a typology of price formation. Could you talk a bit about how you developed your typology and why you think it is useful?

We asked ourselves the question of how to design the book. Several solutions were possible. First, we could have organized it by types of goods exchanged. But this did not seem satisfactory to us because it would not allow us to think about the common ways of pricing shared by different industries, and to think about the existence of generic social mechanisms. Another way of proceeding could have been to draw on the approach of Jens Beckert who, in his overview of the state of the art of sociological research on price formation, categorizes the studies according to the methodological and theoretical approaches adopted by the researchers. He thus identifies the institutional, cultural and network approaches⁵.

We decided to proceed differently and to organize our book around a typology of prices. The identification of different types of prices is not original in itself. For example, economists are led to do this in order to distinguish prices according to the way in which they are set, either by the free market or by the state administration. This is also what some sociologists have done: more than a century ago, Maurice Halbwachs was already engaged in this effort, when he looked at the way consumers perceive prices. The sociologist showed that, depending on the situation, prices may be considered as "natural", "arbitrary" or "abusive"⁶. With regard to our approach, the literature on the sociology of prices has led us to establish a typology of prices based on two criteria: the moment of pricing, and the level of competition.

The intersection of these two criteria leads to the identification of four different types of prices, which have to be seen as ideal-types. We thus distinguish *self-regulated prices* (strong competition, and prices set during the transaction), *administered prices* (weak competition, and prices set before the transaction), *composed prices* (strong competition, and prices set before the transaction), and finally *bargained prices* (weak competition, and prices set during the transaction). This typology enables us to classify the multiple price setting configurations described by sociologists, and to analyze, for a given commodity, the process of shift from one type of price to another. Our approach aims above all to describe plural empirical realities and to analyze, in the same movement, the various configurations that can be encountered in the society. Of course, it is possible to develop alternative classifications based on other criteria, and if relevant it would be useful to supplement our typology with these other criteria in order to enhance our analytical framework.

8. The revival in the sociological interest in prices over the last 30 years largely coincides with a period in time when, in majority of Western countries, prices were stable as inflation was low. It was therefore natural that sociological theories focused on explaining their stability. We are now in a situation where prices are changing across various markets. You start your book by saying that it will not deal with the problem of inflation. I would nevertheless like to ask you whether you think that economic sociology has something to contribute to current discussions about inflation and the problem of instability of prices. This is something you seem to suggest, for example, when discussing the work of Boltanski

⁵ Beckert Jens, 2011, "Where do prices come from? Sociological approaches to price formation", Socio-Economic Review, 9(4): 757-786.

⁶ Halbwachs Maurice, 1912, *La classe ouvrière et les niveaux de vie : recherches sur la hiérarchie des besoins dans les sociétés industrielles contemporaines*, Paris, Félix Alcan.

and the idea of price as a test during moments of hyperinflation or when you discuss how administered prices have historically been used as a tool to fight inflation.

Inflation phenomenon is indeed primarily studied by economists, and our state of the art of sociological research on prices confirms it. Few works are really concerned with inflation and we did not find any that attempt to explain it with a sociological theoretical framework. Will this phenomenon be definitively left to economists? We think it is too early to answer definitively, but if the current economic situation persists, it will certainly encourage sociologists to study it. This research could then be informed by a body of existing studies in the social sciences and humanities: For example, historians look at episodes of rising prices, and political scientists question the consequences of inflation on people, especially when they protest against prices that raise the cost of living.

According to us, the contribution of the sociology of prices is also to recall two elements. The first one is that, in a given society, prices are interdependent, as Harrison White's concept of interface clearly shows⁷. The interface model asserts that a market is not bipartite, i.e. structured around supply and demand, but tripartite, i.e. based on exchanges between suppliers, producers and buyers. These three levels form a chain of interdependencies in which prices are a component of the market links between economic agents. Negotiations between producers and their suppliers (called upstream market) are then taken into account in the prices posted for buyers. And conversely, the success or failure of producers to sell their goods depends on volumes, and therefore on the bargaining power of producers toward their suppliers. The rise in raw material and energy prices - which is currently being observed in Europe and worldwide, in the context of high inflation - is therefore mediated through these interdependence mechanisms within the interface structure.

The second element is that prices, even those freely set by private firms, are never independent of government regulations. Indeed, as shown by Neil Fligstein, the states are involved in the formation of markets⁸. Moreover, it can influence prices through various means, by blocking them (as in 1982 in France) or by granting discounts on the selling price (as in 2022 in France on gasoline price) or even by taking control of an industry or a firm in order to set the selling price directly. Periods of high price instability highlight the dependence of pricing on the state and political power. Conversely, in periods of low inflation, as was mostly the case of the period between the end of the 1980s and the beginning of the 2020s, the prevailing view is that prices are autonomous from all political decisions and freely set by economic agents.

9. You argue that recent works of economic sociologists show that studying prices can provide a vantage point to study larger historical changes happening in the economy, such as the rise of neoliberalism or the recent emergence of digital capitalism. Could you say a bit more about this?

Let us return to the two criteria of our typology. Changing the degree of competition in an industry, for example moving from monopoly to competition situation, affects the way a commodity is priced. The same is true when the timing of price setting changes, for example providing more bargaining opportunities for market participants. Thus, we consider that observing the way prices are set in a given society enables us to qualify the nature of its economic system. For example, the study of prices and pricing make it possible to distinguish

⁷ White Harrison C., 1981, "Where do markets come from?", *American Journal of Sociology*, 87(3): 517-547.

⁸ Fligstein Neil, 2001. *The Architecture of Markets: An Economic Sociology of Twenty-First-Century Capitalist Societies*, Princeton, Princeton University Press.

a liberal economic system which allows actors to trade and compete freely, and a socialist system where the government intervenes and controls trade.

The rise of neoliberalism, which has been a feature of the evolution of Western capitalism since the 1980s, can be analyzed through the way prices are set. This ideology gives increasing importance to competitive market mechanisms. As a result, the prices of drugs, of electricity supply or of hospital care services, which previously depended on state and administered procedures, are increasingly subject to competitive market mechanisms that change their nature and modify the behavior and practices of both producers and consumers.

Similarly, in order to adapt to competition or even to make the most of their quasi-monopoly situation, government-owned companies or firms partially under government control have been forced to change their business policies and increase their revenues by shifting the way they charge prices. Real-time computerized pricing systems have thus been developed since the 1990s. This is why certain train and plane tickets, whose prices were previously administered, are now sold using a yield management system. By using ever more sophisticated algorithms, these companies are now able to adjust their prices in real time, according to the level of demand and the profile of travelers, in order to maximize their profits.

There is a real challenge here for economic sociology to better understand the transformations taking place, since price setting is one of the key issues for companies involved in platform capitalism. The dominant players in these globalized markets, such as Uber, Amazon or Airbnb and many others, often from California and now also from China, are taking advantage of the new possibilities offered by digital technology to evolve their pricing system and sell at prices that are ever more advantageous for them, and ever better adjusted to their customers' propensity to pay. We can thus observe a phenomenon of price singularization, the ultimate goal being to propose a specific price for each buyer based on the digital data collected.

In short, our typology makes it possible to describe prices as they are, but also to consider how setting mechanisms are evolving and thus to see where the economy is moving. As mentioned above, depending on the historical period and the country, the prices of train tickets, electricity distribution or health care services may be governed by administered tariffs, or incorporate competition as much as possible, or even take into account the buyers' ability to pay through prices that vary constantly.

10. Finally, I would like to ask you what do you see as unresolved questions and fruitful avenues for future research in the sociology of prices?

We conceive two avenues. The first would be to extend price analysis beyond the question of setting mechanisms. This would involve, for example, looking at the evolution of price levels and their effects, and studying in particular the way in which these fluctuations disrupt beliefs, systems of representation and the logics of price setting. One way of proceeding would be to link the question of prices and pricing to other sociological approaches, oriented towards consumer issues or the social studies of finance, or even to political economy approaches. Such an approach would make it possible to question more directly certain essential macroeconomic phenomena, such as inflation, or microeconomic phenomena, such as price elasticity.

The second avenue, linked to the first, would be to focus on the controversies surrounding prices. Prices are moral objects, which have no intrinsic value in themselves (nominal value) and which are the expression of a certain social power (relative value). The level of prices strongly influence the economic future of individuals (household standard of living, development of inequalities and the feelings of injustice, etc.) and of society (economic

development of a country, situation of public budgets, dependence of public authorities on the market and on private firms, etc.). This is why prices are at the center of many controversies and conflicts in the political, economic and social areas. Such a perspective would allow us to go beyond a reading that focuses solely on supply-side prices, or an analysis focused on the setting of prices in the context of supply-demand interactions, in favor of an analysis which takes into account the subjectivities of those involved in economic exchanges. For example, how do customers perceive prices? Do they consider them unfair or legitimate, and why? Are they in a position to modify the level of prices, through contestation, negotiation or boycott?