Uncertainty and Ambiguity in Markets: A response to Ventresca and Levin

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In their article "Information and Ambiguity in Markets," Marc J. Ventresca and Peter Levin (Accounts Vol. 5/1, Fall 2004) point to a recently developing strand of work in economic sociology: The concern with actor's categories, criteria and conventions by which ambiguous situations become actionable. This work on meaning producing - and thereby also value-producing - categorization I take as an important and fascinating field of study for economic sociology. What I take issue with is the authors' proposed juxtaposition of the concept of ambiguity to an approach in economic sociology that starts from the problem of uncertainty. According to the two authors the work reviewed by them would "turn attention from uncertainty reduction" (p.2). Contrary to this position I argue that the concern with "category infrastructures" (p.2) can very well be understood as a special case within a paradigm that sees the handling of uncertainty as the crucial vantage point of economic sociology (Beckert 1996, 2002).

Uncertainty, contrary to risk, refers to situations where intentionally rational actors cannot calculate probabilities of outcomes. This brings into question the maximizing assumption of economic theory since actors do not know unambigously how to allocate their resources to obtain optimal outcomes. Uncertainty has two prime sources: it can stem from unpredictable changes in the natural or institutional environment or it can have its origins in the unforseeable choices of other actors (double contingency). Although uncertainty is closely linked to the issue of information, not all uncertainty can be undone by the search for further information. Fundamental uncertainty (Dequech 2001; Beckert/Dequech forthcoming) is characterized by the possibility of creativity and non-predetermined structural change. The list of possible events is not predetermined or knowable ex ante, as the future is yet to be created. Ambiguity, as defined by Ventresca and Levin, can be seen as a special case of the double contingency type of uncertainty: Actors act according to a plurality of logics that are possibly even contradictory, making it impossible for Alter Ego to predict Ego's course of action.

For this type of uncertainty, however, the same holds true as does for other types of uncertainty: Only by reducing ambiguity (uncertainty) through networks, institutions, power, norms, or cognitive scripts can actors find a basis from which to assess the situation and become willing to engage in market exchanges where they have to put their money at risk. Categorization, conventions and orders of worth are forms of cognitive scripts that function as mechanisms of reduction of uncertainty.

The correspondence of the work on categories, criteria and conventions with uncertainty as a paradigmatic vantage point of economic sociology becomes also apparent from some of the works discussed by Ventresca and Levin themselves. Olav Velthuis, for instance, explains the market anomaly that galleries sell all paintings of the same size of an artist for the same price, despite quality differences that are known to the artist and to the gallery, by the need to reduce uncertainty. If galleries would act differently this "would create a sense of disorder in a market where uncertainty already reigns" (Velthuis 2003: 194). The economics of convention (reviewed in Biggart/Beamish 2003) identifies the pragmatic task of any economy in the need of coordination of action. Economic exchange has its precondition in interpretations

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that "lead to a sort of 'agreement' about what is to be done - in the sense that what each person does meets the expectations of the others on whom he or she depends" (Storper/Salais 1997: 16). Such conventions are directly connected to the issue of uncertainty: "Conventions emerge both as responses and as definitions of uncertainty" (ibid.). Ozgecan Koçak (2003) starts from the problem of uncertainty in her analysis of valuation processes in exchange markets. Finally, Kieran Healy (1999) frames his work on the organization of blood supply as the "management of uncertainty."

My critical remarks are in no way intended to question the significance of the findings discussed by Ventresca and Levin. I only question the authors' theoretical assertion that the work on categorization would demonstrate the "limits of the uncertainty paradigm" (p.2). To the contrary: it demonstrates the centrality of this paradigm for economic sociology.

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