

# ECONOMIC ANTHROPOLOGY

Sponsored by a Grant TÁMOP-4.1.2-08/2/A/KMR-2009-0041

Course Material Developed by Department of Economics,  
Faculty of Social Sciences, Eötvös Loránd University Budapest (ELTE)

Department of Economics, Eötvös Loránd University Budapest

Institute of Economics, Hungarian Academy of Sciences

Balassi Kiadó, Budapest



Authors: Tamás Dombos, Viola Zentai

Supervised by Viola Zentai

June 2011

## Week 3

# The institution of the market: concept, space, process

## The concept of market

- The situation or context in which a supply crowd (sellers) and a demand crowd (buyers) meet to exchange goods and services (Dalton 1961)
- Conceptual complexity, uncertainty:
  - space, physical location: marketplace
    - etymology in Hungarian: piac ~ piazza
  - process, transaction: market exchange
    - impersonal exchange governed by prices defined by demand and supply
  - concept, idea: market model
    - free market operating under circumstances of perfect competition,

market economy

- basis for neoclassical economics

## Is the market model universal?

- Karl Polányi (1944): *The Great Transformation*
- Market economy is the result of a specific historical period, not the natural state of society, it was „made”
- Allocation mechanism, forms/schemes of integration:
  - reciprocity
  - redistribution
  - market exchange
  - (householding)
- present in combination, but one or more can be dominant:
  - primitive, tribal (acephalous) societies: reciprocity
  - chiefdoms, non-capitalist states: redistribution
  - modern society: market exchange

## Emergence of market economy

- Market as a self-regulating economic system (laissez-faire)
- “Disembedding” of economy from social relations
- Conditions:
  - separation of state and economy
  - appearance of money
  - exclusivity of production for market exchange
- Fictitious commodities:
  - land = nature

- labour = human activity
- money = token of purchasing power
- not produced for market exchange, but still commodified
  - ⇒ fictitious commodities
- key moment: commodification of labour
- Speenhamland laws
  - end of 18th century, war with France
  - poor harvest, high price of grain
  - means-tested sliding-scale of wage supplements
  - „right to subsistence”: spontaneous reaction
- 1830s:
  - capitalist middle class gains political power
  - 1834: Speenhamland system abolished
  - right to subsistence no longer a right
    - ⇒ forced to sell labour
- Commodification of labour (thus emergence of market economy) is a politically induced process

## Formalist–substantivist debate

- Market exchange is only dominant in modern societies
  - ⇒ tools developed to understand economic behaviour in these societies (microeconomic models) have limited validity
- Two meanings of economy (Polányi 1957):
  - substantive:
    - livelihood of people, needs satisfaction
    - interchange with natural and social environment
  - formal:
    - choice between the alternative uses of insufficient means

- dependent on existence of price-making markets (market economy)
- Formalists:
  - Cook, Schneider
  - microeconomic models are universal
  - substantivists have a romantic view on economy, irrelevant
- Substantivists:
  - Polányi, Dalton
  - validity of microeconomic models is limited
  - only the substantivist model is appropriate tribal and peasant economies (Dalton adds: and is appropriate for only that)
- Irresolvable debate: concerns basic dilemmas of social science
- Substantivists undermined the relevance of their own position: no ambition to analyse modern economies

## The bazaar economy

- Geertz (1963)
- Pare, Java (referred to as 'Modjokuto')
- Among the first ethnography in non-tribal setting
- Overall aim: researching possibilities of economic development
- detailed analysis of the marketplace (pasar, bazaar)
- bazaar type economy
  - ⇔ firm type economy
- marketplace:
  - flow of goods and services
  - regulatory mechanisms
  - social and cultural characteristics



### The bazaar economy

- Flow of goods and services:
  - small scale, easily transportable, divisible goods
  - food, textile, small furniture
  - high turnover: volume on sale very small
  - not only trade, production (restaurants, hairdresser, repair work)

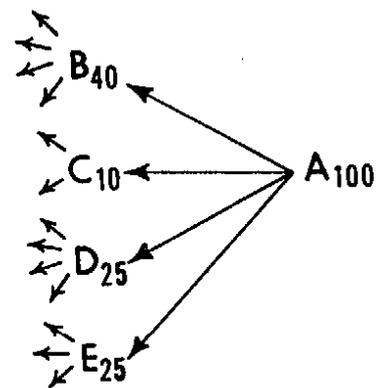
- regulatory mechanisms:

- bargaining:
  - sliding price system
  - informational uncertainty: fair price hard to decide
  - competition between sellers and buyers, not between sellers
  - aim: not to raise interest in customer (happens by accident), convince them to buy



- Regulatory mechanisms (cont'd):

- credit relationships:
  - among members of the trading chain
  - permanent credit, never paid back fully
  - aim: not to raise capital, but maintaining economic relations
  - interdependence: amount of credit too low, change of economic partners
- fractionation of risks and profits:
  - commodities pass through lot of hands
  - “duty” to involve others in big business



- lack of capital is inadequate explanation:  
strong habitual reaction
- Social and cultural characteristics:
  - interstitial role:
    - not a local invention, established by long term trade with Europe
    - influx of Muslim religions
    - wong dagang = foreigner, trader, wanderer
  - trading for trading's sake:
    - primary goal of life: like agriculture for peasants
    - „shrewdness” of traders (↔peasants: industriousness, civil servants: adeptness)
    - insulated from social ties (kinship, friendship)
    - impersonal, calculative, rationalistic outlook
- Conclusion:
  - economic development is not hindered by the lack of business mentality, RATHER
  - lack of organization, form

## The market model

- Free market based on perfect competition as a specific cultural product, a symbol (Carrier 1997)
- Dumont (1977): economy (market) central part of the self-image of Western men
- Assumptions:
  - autonomous individuals free of social ties
  - instrumental rationality (source of desires bracketed, abstracted as utility)
  - only sellers and buyers (consumer choice)
  - competition

- Question: how the model is used (or refused) in daily life of people to make sense of the world around themselves
- Anarchocapitalism
  - Love Brown (1997)
  - market as freedom from constraint (oppressive government), necessary for freedom and autonomy
  - return to original state without coercion by community
  - market model serving morality, rather than economic efficiency
- The sentimental entrepreneur
  - Carrier (1997)
  - Paul Hawken best-selling TV-series and book: how to become successful small entrepreneurs
  - key to success: sociability, emotions
  - free individuals yes, but rational calculation does not feature

## References

Barry L. Isaac: "Karl Polanyi" In *HEA* 14–25.

Carrier, G. James (1997) "Introduction." In James G. Carrier (ed.) *Meanings of the market: the free market in Western culture*. Oxford: Berg.

Carrier, G. James (1997) "Mr Smith, Meet Mr Hawken." In James G. Carrier (ed.) *Meanings of the market: the free market in Western culture*. Oxford: Berg. 129–159.

Dumont, Louis (1977): *From Mandeville to Marx: The Genesis and Triumph of Economic Ideology*. Chicago: University of Chicago Press.

Geertz, Clifford (1963) *Peddlers and princes: social change and economic modernization in two Indonesian towns*. Chicago: University of Chicago Press.

Polanyi, Karl (1957) "The economy as instituted process." In K. Polanyi, C. M. Arensberg, and H. W. Pearson (eds.) *Trade and Market in the Early Empires: Economies in History and Theory*. New York: The Free Press. 243–270.

Polanyi, Karl (1944) *The great transformation: the political and economic origins of our time*. New York: Holt, Rinehart & Winston.

Love Brown, Susan (1997) "The 'Free Market' as Salvation from Government: The Anarcho-Capitalist View." In James G. Carrier (ed.) *Meanings of the market: the free market in Western culture*. Oxford: Berg. 99–128.