

Chapter One

1. Concepts in Economic Anthropology

1.1. Economy, Economic System and Economics

Economics: coined from two Greek words namely “oikos” and “nomos” which means “household” and “rule or law” respectively. So etymologically, the term economics can be defined as the art of household management. The components in household management include the family (unit of production), production, circulation, consumption and so on.

Economics (earlier called political economy) was defined by the early economist and theoretician of capitalism Adam Smith (*The Wealth of the Nations*, 1776) as: “an inquiry into the nature and causes of the wealth of nations”. For him the three factors of production and the major contributors to the “nation’s wealth” were *land, labour* and *capital*.

Economics today is understood as a social science that *analyzes the production, distribution and consumption of goods and services*. It examines *how economic agents behave* or interact and *how do economies or economic systems work*.

Economics can also be defined as the science which studies human behavior as a relationship between ends and scarce resources. Sometimes many individuals understand the term economy and economics as similar and the same. But economy is a pattern of activity directed at material ends. It is the production, distribution and consumption of good and service. On the other hand, economics is a science which studies the production, distribution and consumption of goods and services.

Economics is the study of economizing. Economizing is the allocation of scarce resources among alternative ends. Due to this the subject matter of economics is often defined as ‘economizing’ which mean that the rational allocation of scarce means to alternative ends. This definition was rooted in the classical economic theory which assumes that our wants are infinite and that our means are limited. Since means are limited, people must make choices about how to use their scarce resources: their time, labour, money and capital. Economists assume that when confronted with choices and decisions, people tend to make the one that maximizes profit. This is assumed to be the most rational (reasonable) choice.

Economics is subdivided into microeconomics (micro = small) and macroeconomics (macro = big). *Microeconomics* studies the behaviour of *basic elements in the economy*, including individual agents (households, firms, buyers, sellers) and markets and their interaction, while *macroeconomics* analyses the *entire economy* and issues affecting it, including unemployment, inflation, economic growth, and monetary and fiscal policy.

Anthropologists have also defined the term in different ways. Accordingly:

1. Economics deals with the material means (resources) to man's existence. This implies that economics is somehow concerned with the material goods which were necessary for human beings.
2. Economists study/ deals with those areas of life in western society/ industrialized world/ whereas economic anthropologists treats those in 'primitive' societies.
3. Economics is the study of systems of exchange whatever particular institutional arrangements surrounding them may be. Probably every society has some systems of exchange or modes of distribution. Whatever it is they are classified as follows:

a. **Market exchange:** - a form of distribution in which goods and services are bought and sold and their value is determined by supply and demand.

Predominantly it is a main mode of integration among the western societies where the value is determined by market situation.

b. **Redistribution:-** a process whereby goods and services flow to a central authority, where they are sorted, counted and reallocated.

c. **Reciprocity:-** defined as the mutual exchange of goods or services as part of long-term relationships.

1.2. Economic Anthropology

Economic Anthropology: is the study of economic institutions and behaviors using ethnographic methods (Plattner, 1989). The ethnographic approach entails an in-depth, holistic and longitudinal study of one society using multiple methods including participant observation. This approach enables anthropologists to come up with dependable findings. It also defined as the cross-cultural study of the Production, distribution, and consumption of goods and services.

The domain of economic anthropology covers the recurring interaction of individuals, within and between social groups and with the wider environment, with the object of providing material goods and services necessary for social reproduction.

This empirical approach to the study of the economy sets economic anthropology apart from Economics. For instance, anthropologists like Margaret Mead and Malinowski studied third world peoples and cultures by living with exotic peoples in a faraway areas, where as economists like Keyes and Adam Smith confined themselves to their offices to think up theories and analyze statistics about the economic behavior of the western world.

Economic anthropology is a science which studies the systems of production, distribution (exchange) and consumption cross-culturally (both in western and non-western society). It deals with ethnographic description of specific economic system.

Economic anthropologists have been concerned with two questions:

1. How are production, distribution and consumption organized in different societies? This question focuses on systems of human behavior and their organization.
2. What motivates people in different cultures to produce, distribute or exchange and consume? Here the focus is not on systems of behavior but on the motives of the individuals who participate in those systems.

Anthropologists view both economic systems and motivations in a cross-cultural perspective. When we come to the historical development of economic anthropology it was Bronislaw Malinowski, the first anthropologist, to engage with the discipline of economics in his ethnography which entitled as “Argonauts of the Western Pacific” in 1922. Until the 1950s economic anthropology was primarily a descriptive field that covered one of the domains of traditional societies.

The emergence of economic anthropology as a separate field of study was signaled by the publication of Herskovits ‘Economic Anthropology’ in 1952 in which the author argued for the universality of economizing i.e. the logic of rational choice in a situation of scarcity. This assumption was later contested by the economic historian Karl Polanyi who argued that there were two meanings of the economy: the substantive and formal meaning. Then, in discussing

“two meanings of economic,” the substantive and the formal, Dalton paraphrases Polanyi’s definition as follows: “In the substantive sense, economic refers to the provision of material goods which satisfy biological and social wants” (p. 5). Polanyi’s own statement of the distinction is worth quoting in full:

“The substantive meaning of economic derives from man’s dependence for his livelihood upon nature and his fellows. It refers to the interaction with his natural environment, in so far as these results in supplying him with the means of material want satisfaction. The formal meaning of economic derives from the logical character of the means-ends relationship, as apparent in such words as “economical” or “economizing.” It refers to a definite situation of choice, namely, the different uses of means induced by the insufficiency of the means. If we call the rules governing choice of means the logic of rational action, then we may denote this variant of logic, with an improvised term, as formal economics.”

The two root meanings of economic, the substantive and the formal, have nothing in common. The latter derives from logic, the former from fact (Polanyi, 1953). The intellectuals of the period have been classified society/ economy based on systems of exchange. For instance, reciprocity and redistribution for non-industrial society where as market exchange for modern-capitalist industrial society.

In 1970s Marxist anthropologists moved away from typologies of societies based on exchange system to system of production. Accordingly, there were five types of society.

Primitive society

Slavery society

Feudal society

Capitalist society

Socialist/ communist society

Even though anthropologists are increasingly studying western societies which are the concern of economics, the difference between the two disciplines is still enormous. The followings are features that distinguish economic anthropologists from economists.

- a. The economic anthropologists are more concerned with the study of micro level economic phenomena in a village where as economists are more concerned with macro level economic phenomena in a region or country.
- b. The economists are pre-occupied with formal methods often to the exclusion of substance; whereas economic anthropologists are naïve when it comes to quantitative methods and deal only with qualitative data.
- c. The economic anthropologists are eclectic and aims for a holistic, almost gestalt impression of a culture where as the economists looks only at economic phenomena.
- d. The economic anthropologists use the ethnographic observations to build ethnographic models where as an economist uses linear sequence of hypothesis testing used in both neoclassical and Marxist economics.

1.3. What is meant by “Economic Life”?

Economic life encompasses activities through which people or societies:

- ✓ produce objects
- ✓ circulate objects
- ✓ consume objects
- ✓ secure their subsistence
- ✓ provision themselves according to their needs and wishes

The objects produced, circulated or consumed can be immaterial or material objects.

Immaterial objects include labour and services but also cultural knowledge and meaning, as expressed in myth, ideas and names etc. (Carrier 2005:3-4). Material objects being part of economic life in principle may include all material things of culturally defined importance for a given society, be it produced goods or natural things (including natural resources). However, as an item in cultural system of meaning, every material object has also an immaterial dimension which adds to its economic value.

1.3.1. In which kind of “settings” economic anthropology study the economic life?

Economic anthropologists may study a *wide range of social settings* “from small and intimate social units like households through intermediate ones, like firms, villages or local markets, to very large entities like regional systems of ceremonial exchange or global systems of advertising and consumption” (Carrier at www.discoveranthropology.org.uk). Economic anthropology may

also be used as a fruitful approach to *comparative economics* which compare the economies or economic cultures in *different settings*.

1.3.2. What is the “Anthropological Perspective” on Economic Life?

The anthropological perspective on economic life is rather a socio-anthropological perspective which means not the economy itself as an abstract process is in the focus of investigation but the economy as indispensable part of the social life, culture and livelihood strategy specifically of defined group(s) or societies. Social anthropologists view economy as part of the cultural whole; they have a holistic approach. They do not single out economy from its context but rather contextualize it and examine how it is related with other socio-cultural domains or cultural aspects.

Carrier (2005: 1-2) explains the anthropological perspective as follows: “The anthropological perspective approaches and locates aspects of people’s individual and collective lives, which is to say their lives and societies, in terms of how these aspects relate to one another in an interconnected, though not necessarily bounded or very orderly, whole. The aspects at issue can be different elements or fields of people’s lives, such as religious belief, consumption, household organization, productive activities or the like. So, for example, an anthropologist might want to study how household organization among a particular set of people is related to, say, religious belief, and vice versa (in an ideal world that anthropologist would want to know how all the elements of people’s lives and societies are related to one another). As this suggests, anthropologists tend to want to see people’s lives in the round.”

Social Anthropologists examine the relationships between cultural concepts (what people think and say) and their activities or socio-cultural practices. They want to know how concepts and practices are connected and how they shape each other.

The anthropological perspective is empirical and naturalistic. It is based on the “observation (empirical) of people’s lives as they live them (naturalistic)” (Carrier 2005). Social anthropology is not so much interested in the development of an overall economic theory, or on far reaching generalizations. It is rather concerned with particularities. Therefore, the popular assumption that all economic activity aims at utility or profit maximization will not find uncritical supporters among social anthropologists. Certainly they will accept the notion that humans are “economic animals” as they are also “political animals”. However, even the assertion of the famous

economist and theoretician of Capitalism, Adam Smith (1776, cited after Carrier 2005), that there is “a certain propensity in human nature [...] to truck, barter, and exchange one thing for another” would not be fully agreed upon. Of course people transact things, and the study of such transactions is a central aspect of a great deal of anthropological work but this “work indicates that people in different situations in the same society, not to mention in different societies, transact in different ways and understand what they are doing in different ways”.

In the anthropological perspective the nature of “the economy” is not taken for granted or self-evident. It does not explain economy as necessarily following quasi-natural rules and logic but as an ever developing process resulting from and (re-)shaping cultural concepts and practices. As it is always the case with social anthropology its perspective not only takes into account the world view of the people investigated but makes it its central starting point. The emic perspective (i.e. the grounded assumptions about the insider’s view) is seen as necessary for the understanding of economic life (see also Carrier 2005: 4).

1.3.3. How Do Economic Anthropologists Describe and Analyze Economic Life?

In the description and analysis of economic life economic anthropology roughly follows two methodological approaches, the individualistic and the systemic (not systematic, that’s something else!):

The individualistic methodology in the tradition of Malinowski (*Argonauts of the Western Pacific*, 1922) “approaches the relationship of economic and social life through the study of the beliefs and practices of individual members of the group being investigated”. To use an individualistic methodology does not mean that individuals are described as independent of their society and culture but that *self-interested individuals* are described in their typical ways of economic activity and their typical relationship to society (Carrier 2005: 4-5).

The systemic methodology influenced by Durkheim (*The Division of Labour in Society*, 1893) and his nephew Marcel Mauss (*The Gift*, 1925) understands “society as a super ordinate system or set of inter-related parts, with properties of its own”. Durkheim classified societies according to their degree in division of labor. This degree he correlated with different other societal attributes, especially the legal systems (Carrier 2005: 5). Systemic is any approach which examines phenomena as systems according to the qualities of interrelatedness among their aspects or parts.

1.4. A Short History of Economic Anthropology

Economic anthropology is the product of a juxtaposition of two academic disciplines in the twentieth century. It would be wrong to speak of the relationship between economics and anthropology as a dialogue. From the beginning, economists in the ‘neo-classical’ tradition have rarely expressed any interest in anthropology and none at all during the last half-century, when their discipline has become the dominant ideological and practical arm of global capitalism. Anthropologists, on the other hand, when they have been concerned with ‘the economy’, have usually felt obliged to address the perspective of mainstream economists, sometimes applying their ideas and methods to exotic societies, more often being critical of the discipline’s claim to be universally valid. Since anthropologists in this period based their intellectual authority on the fieldwork method, discourse in economic anthropology has generally been preoccupied with the interpretation of economic ideas in the light of ethnographic findings. But civilization is often thought of as an economy these days; and some anthropologists, drawing on a variety of theories and methods, have offered alternative visions of the economy’s past, present and future.

After briefly considering the idea of economy in anthropological perspective, we divide our account into three historical periods. **The first covers from the 1870s to the 1940s, when economics and anthropology emerged as modern academic disciplines.** A bureaucratic revolution concentrated power in strong states and corporate monopolies, yet economics reinvented itself as the study of individual decision-making in competitive markets. Later, when a rapidly urbanizing world was consumed by economic disaster and war, anthropologists published ethnographies of remote peoples conceived of as being outside modern history. Neither branch of study had much of a public role. The period since the Second World War saw a massive expansion of the universities and the rise of economics to the public prominence it enjoys today. An academic publishing boom allowed anthropologists to address mainly just themselves and their students. **Economic anthropology sustained a lively debate from the 1950s to the 1970s,** when the welfare state consensus was at its peak and European empires were dismantled. **The sub-discipline has been less visible since the 1980s,** the era of ‘neo-liberalism’ and ‘globalization’ in world economy. A lot is still produced on exchange, money, consumption and privatization, but, as with much else in contemporary anthropology, the results are fragmented.

Despite our focus on historical change, there are some abiding questions at the intersection of economics and anthropology. Is the economists' aspiration to place human affairs on a rational footing an agenda worthy of anthropologists' participation or just a bad dream? Since economics is a product of western civilization – and of the English-speaking peoples in particular – is any claim to universality bound to be ethnocentric? If capitalism is an economic configuration of recent origin, could markets and money be said to be human universals? Can markets be made more effectively democratic, with the unequal voting power of big money somehow neutralized? Can private and public interests be reconciled in economic organization or will the individualism of homo economicus inevitably prevail? Should the economy be isolated as an object of study or is it better to stress how economic relations are embedded in society and culture in general?

In *The Great Transformation* (1944), Polanyi brought a radical critique of modern capitalism to bear on his moment in history. We too must start from the world we live in, if we are to apply the vast, but inchoate intellectual resources of anthropology to a subject that is of vital concern to everyone. Ours is a very different world from when Polanyi so confidently predicted the demise of the market model of economy. Yet the revival of market capitalism and dismantling of state provision since the 1980s furnishes plentiful material for Polanyi's thesis that the neglect of social interests must eventually generate a political backlash and a retreat from market fundamentalism. In our Introduction, we suggested that the world may now be emerging from the period of neo-liberal hegemony, with obvious potential consequences for the project known as 'economic anthropology'. The ongoing globalization of capital – its spread to Japan, China, India, Brazil, and Russia and elsewhere after centuries of western monopoly – is also bound to affect our understanding of economy. The absolute dominance of market logic, at least in the form devised by neo-liberal economists, may be coming to an end. Then, not only will Polanyi's ideas receive more favorable attention, as they already have in some quarters, but the urgent need to review the institutional basis of economy may stimulate anthropologists to renewed efforts.

1.5. What is the Difference between Economic Anthropology and Economics?

Economic anthropology and economics are clearly different from each other. Their foci (plural of focus) and the theoretical and research questions differ strongly. Here are three of many ways to explain the differences:

“[...] economic anthropologists study economic processes; their approach is different from that of economists. Economists usually restrict themselves to monetary transactions and try to develop formal, abstract models of economic systems. Economic anthropologists, on the other hand, usually are concerned with all forms of production, circulation and consumption, monetary or not. Further, they are concerned less with developing formal models and more with trying to describe and understand economic actions in their social and cultural context” (Carrier at www.discoveranthropology.org.uk).

Tucker elaborates a bit further:

“*Anthropology* is the study of human diversity; *Economics* is the study of how people make decisions about resources. *Economic anthropology* examines the diversity of peoples’ preferences, choices, behaviors, habits, activities, customs, and institutions relating to resources. College courses in economics are often limited to business applications, which are to say, economic behavior under capitalism. *Economic anthropology* is equally interested in how hunter-gatherers decide which prey to exploit, how peasants reduce risk, why people give gifts and host feasts, and why rural villagers cooperate to achieve communal goals. Economic anthropology addresses classic questions within anthropology, such as whether societies have structure, and how culture as a collective phenomenon influences the actions of individuals. It is also concerned with classic questions within economics, such as the origins of wealth, market value, and social inequality, and how best to ‘develop’ poor countries” (Tucker, online document).

Mazzucato explains the difference like this:

“While economics focuses on factors of production and their allocation in the production process, economic anthropology is concerned with the people using the factors and making decisions on how to allocate them. Economists focus on measuring variables and their trends, economic anthropologists are interested in identifying the relevant variables through understanding the way people view their system of economic organisation. Economists tend to generalize, economic anthropologists focus on the particular [...] Economic anthropologists study indigenous economies through their analysis of people’s economic reasoning, their notions of wealth, labor, and capital, and how to manage, invest and preserve them through time, i.e. the processes of decision making. Through the ethnographic

approach, they formulate the cultural logic behind decisions, i.e. they identify the factors most relevant to decision making for the people being studied.

All in all, Economics is the study of production, distribution, and consumption of resources. It focuses on the production, distribution, and consumption within the industrialized world. Economic Anthropology studies economics comparatively in all societies of the world, industrialized and non-industrialized. In anthropology economics means distribution, exchange and consumption of good embedded in social, political and economic relationships reciprocity, exchange and consumerism. Economists unlike economic anthropologists uniformly use similar models in all societies- cultural ignorance. Classical economic theory assumed that individuals universally acted rationally, by economizing to maximize profits.

Economic Anthropology focuses on:

- How does a social group produce what it needs, wants, and desires
- How are those goods exchanged
- How are those goods consumed

Chapter Two

2. Debates and Theories in Economic Anthropology

The field of economic anthropology has been a place of bitter and polemic debates over the best way to study economic systems in both Western market-based societies and in their non-Capitalist preindustrial counterparts. The publication of *Trade and Market in the Early Empires* (1957) and other work associated with Karl Polanyi's analytical schema, has intensified theoretical disputes in economic anthropology having their origins much earlier. These disputes are principally over which of several alternative sets of analytical concepts are best to interpret real world processes and institutions and what kinds of analytical questions should be put to primitive and peasant economies on the one hand and the capitalist economies on the other hand.

In this chapter of our lesson, we will see four differing approaches/ theories; namely formalism, substantivism, Marxism and culturalism which were dominant in economic Anthropology.

Formalism

The proponents of this approach were:

- ✓ Raymond Firth
- ✓ Harold Schneider
- ✓ Scott Cooktch Le Clair

The formalist model is the one that is most closely linked to neoclassical economics, defining economics as the study of utility maximization under conditions of scarcity. The classical quote here is Robbins: "Economics is the science which studies human behavior as a relationship between ends and scarce means which have alternative uses" (quoted from Gudeman, 1986:31).

This approach makes the following central assumptions:

a. Individuals pursue utility maximization by choosing between alternative means. They will always choose alternatives that maximize their utility (or that yields a given amount of utility for the least possible amount of inputs or effort required). This implies that individuals strive to maximize their utility when given choices between substitutes.

b. Individuals will do so based on rational thought, using all available information to measure the cost and utility of each means and considering the opportunity costs involved compared to spending their time and effort on other utility maximizing pursuits. Action is therefore always preceded by calculating forethought, and individuals are able to undertake the relevant calculations. In order to make rational choices individuals will seek to obtain all relevant information up to a point where the opportunity cost of information-gathering equals the additional utility gained from having been able to make better informed choices. This implies that when presented with two equal substitutes, individual gathers all information available to choose between the two.

c. All individuals live under conditions of scarcity of means while at the same time having unlimited wants. This implies that no goods are freely available in unlimited quantities forever.

d. Underlying individuals' pursuit of utility maximization is the principle of diminishing marginal value, meaning that obtaining more of a particular good or service only increases the utility (or value) derived from it upto a certain point. When this point is reached, the overall utility gained will actually diminish.

Examples:

(1) A certain amount of chocolate makes a good dessert, but too much will hurt the stomach.

(2) The right quantity of water can ensure a good crop, while having too much will drown it.

Formalists such as Firth and Schneider assert that the neoclassical model of economics can be applied to any society if appropriate modifications are made, arguing that the principles outlined above have universal validity. This implies that all human cultures are therefore a collection of "choice making individuals whose every action involves conscious or unconscious selections among alternatives means to alternative ends" (Burling, 1962, quoted from Prattis, 1982:207), whereby the ends are culturally defined goals.

In general for formalists, individual value maximization from scarce resources by choice through logical reasoning of information available governs the economic life of all individuals. Its central assumption is that the individual will make rational choices based on all available information in

order to maximize whatever he or she considers being of value. While value parameters vary or change, the principles of economizing and maximizing still apply.

Criticism of Formalist Approach

There have been many critiques of the formalist position.

1. Its central assumptions about human behavior have been questioned. In particular, it has been argued by others that the universality of rational choice and utility maximization cannot be assumed across all cultures.
2. With regards to modern Western societies the economic reductionism in explaining human behavior has been critiqued. Pratts notes that the premise of utility maximization is tautological; whatever a person does, may it be work or leisure, is declared to be utility maximization. If he or she doesn't maximize money then it must be pleasure or some other value.
3. Formalism will consider any behaviour that does not maximize utility based on available means as irrational. However, such "non-maximizing acts" may seem perfectly rational and logical for the acting individual whose actions may have been motivated by a completely different set of meanings and understandings.
4. Substantivist also criticized them for their analysis of both economic institutions and individual economic activities in isolation because they are embedded in the socio-cultural sphere and can therefore not be analyzed in isolation.

Substantivism

The proponents of this approach were:

Karl Polanyi

George Dalton

Marshal Sahlin

The substantivist position was first proposed by Polanyi in his work of "The Great Transformation". Here he argues that the term 'economics' has two meanings:

1. The formal meaning: refers to economics as the logic of rational action and decision-making, as rational choice between the alternative uses of limited (scarce) means.
2. The substantive meaning: simply refers to study of how humans make a living from their social and natural environment. It presupposes neither rational decision-making nor conditions of scarcity. For this group a society's livelihood strategy is seen as an adaptation to its environment and material conditions, a process which may or may not involve utility maximization.

Polanyi's term "great transformation" refers to the divide between modern, market- dominated societies and non-Western, non-capitalist preindustrial societies. He argues that only the substantive meaning of economics is appropriate for analyzing the latter, i.e. non-western societies. Without a system of price-making markets formal economic analysis does not apply, for example in centrally planned economies or preindustrial societies. Individual choice in such places is not so much based on the maximization of economic profit but rather on social relationships, cultural values, moral concerns, politics or religion. For instance Production in most peasant and tribal societies is for the producers, also called 'production for use' or subsistence production, as opposed to 'production for exchange' which has profit maximization as its chief aim in capitalist society. Due to these differences no single theory can describe them all according to substantivists.

According to Polanyi, in modern capitalist economies the concepts of formalism and substantivism coincide since people organize their livelihoods based on the principle of rational choice. However, in 'primitive' economies this assumption does not hold. Unlike their Western capitalist counterparts, they are not based on market exchange but on redistribution and reciprocity. In societies that are not market-based reciprocity and redistribution usually occur together. Conversely, market exchange is seen as the dominant mode of integration in modern industrial societies, while reciprocity may continue in family and inter-household relations, and some redistribution is undertaken by the state or by charitable institutions. Each of these three systems of distribution requires a separate set of analytical concepts.

Another key concept in substantivism is that of 'embeddedness'. It refers to that the economy is embedded in both economic and non-economic institutions rather than being a separate and distinct sphere. This implies that exchange takes place within and is regulated by society rather

than being located in a social vacuum. For example, religion and government can be just as important to economics as economic institutions themselves. Socio-cultural obligations, norms and values play a significant role in people's livelihood strategies. Consequently, any analysis of economics as an analytically distinct entity isolated from its socio-cultural and political context is flawed from the outset. A substantivist analysis of economics will therefore focus on the study of the various social institutions on which people's livelihoods are based.

Polanyi's central argument is that institutions are the primary organizers of economic processes. The substantive economy is an "instituted process of interaction between man and his environment, which results in a continuous supply of want satisfying material means" (1968:126). It is because of this that economy is considered as an instituted process.

Criticism for Substantivism Approach

Substantivism has been criticized by others. Some of the criticism includes:

1. Pratts (1982) argues that the strict distinction between primitive and modern economies in substantivism is problematic.
2. Also criticized for their focuses on social structures at the expenses of analyzing individual agency.
3. Plattner (1989) argues that some generalization across different societies are still possible, meaning that Western and non-Western economics are not entirely different. He tried to justify his position as follows:
 - ✓ In an age of globalization it is hard to find any "pure" preindustrial societies.
 - ✓ Conditions of resource scarcity can be said to exist anywhere in the world.
 - ✓ Non-maximizing adaptation strategies occur in all societies, not just in "primitive" ones.

Comparison between Substantivism and Formalism

Substantivism	Formalism
Social Structure dictates individual behavior (determinism) or Society set rule for individual	Individual choices form economic system (free will) or Society is created by individuals
Relativist	Universalistic
Non-mathematical inclination	Mathematical inclination
Inductive	Deductive
Humanistic outlook	Scientific outlook
Synthetic	Analytical
Derives from fact	Derives from logic
Implies neither choice nor insufficiency of means	Set rules referring to choose between alternative uses of insufficient means

Culturalism Theory

For some anthropologists the substantivist position does not go far enough in its criticism of the universal application of Western economic models on societies all around the globe. Gudeman for example argues that the central processes of making a livelihood are culturally constructed. Therefore, models of livelihoods and related economic concepts such as exchange, money or profit must be analyzed through the locals' ways of understanding them. Rather than devising universal models rooting in Western understandings and using Western economic terminologies and then applying them indiscriminately to all societies, one should come to understand the 'local model'.

In his work on livelihoods Gudeman seeks to present the "People's Own Economic Construction"(1986:1); that is, not just examining the cultural construction of values as in which products people like to buy and how much they value leisure, but people's own conceptualizations or mental maps of economics and its various aspects, i.e. their understanding of concepts such as exchange, *property* or profit.

His description of a peasant community in Panama reveals that the locals did not engage in exchange with each other in order to make a profit but rather viewed it as an "exchange of equivalents", with the exchange value of a good being defined by the expenses spent on producing it. Only outside merchants made profits in their dealings with the community, and it was a complete mystery to the locals how they managed to do so. Gudeman not only rejects the formalist notion of the universal 'utilitarian man'; he also criticizes the substantivist position for imposing their universal model of economics on all preindustrial societies and so making the same mistake as the formalists.

While conceding that substantivism rightly emphasizes the significance of social institutions in economic processes, Gudeman considers any derivational model that claims to be of universal nature, be it formalist, substantivist or Marxist, to be ethnocentric and essentially tautological. Generally speaking, however, culturalism can also be seen as an extension of the substantivist view, with a stronger emphasis on cultural constructivism, a more detailed account of local understandings and metaphors of economic concepts, and a greater focus on socio-cultural dynamics than the latter (cf. Hann, 2000).

Culturalists also tend to be both less taxonomic and more culturally relativistic in their descriptions while critically reflecting on the power relationship between the ethnographer (and 'modeller') and the subjects of his or her research. While substantivists generally focus on institutions as their unit of analysis, culturalists lean towards detailed and comprehensive analyses of particular local communities.

Both views agree in rejecting the formalist assumption that all human behaviour can be explained in terms of rational decision-making and utility maximization.

Criticism of Culturalism Approach

Culturalism can also be critiqued from various perspectives

1. Materialists, e.g. Marxists, would argue that culturalists are too idealistic in their notion of the social construction of reality and too weak in their analysis of external (i.e. material) constraints on individuals that affect their livelihood choices.

2. At the same time, it seems that culturalists themselves are in danger of constructing yet another dominant discourse, although couched in post-modern relativistic terminology.

Marxist Economic Theory

This is essentially an economic interpretation of history based on the works of Karl Marx and Frederic Engels.

- states a materialist model of societal change
- Developed as a critique and alternative to the domination of Euro-American capitalism and Eurocentric views in the social sciences.
- Change within a society seen as the result of contradictions arising between the forces of production (technology) and the relations of production (social organization). Such contradictions are seen to emerge as a struggle between distinct social classes.
- **Karl Marx** (1818-1883) in his book (The Communist Manifesto, 1848) has stated the basic struggle between classes, and recommends action against the 'specter' of capitalism and in his work, (Das Capital, 1867) showed how the capitalist system is exploitative in that it "transfers the fruit of the work of the majority...to a minority"
- In 1880 Marx went through the works of Henry Morgan's Ancient Society (1877) and became interested in his evolutionary ideas of society. In 1883 died before he can write a book based on his literary exploration on the topic.

Frederic Engels (1820 – 1895) in his work (The Origin of the Family, Private Property and the State, 1884) presented the evolution of humankind from primitive communism, to slavery, feudalism, capitalism, and finally, industrial communism.

Frederic Engels explained that social relationships are generated by exchange of goods and services. A person can produce more than he requires for his own subsistence. The power conferred by the ownership of money is the power to buy other people's labor. While supply and demand may cause the value of a good to fluctuate, its true or natural value is determined by the cost of the labor required to make it.

· Marx wrote "Das Capital" during the Industrial Revolution in Britain. Much of his analysis is directed at explaining the processes which give rise to capitalist society. One of his primary concerns was the analysis of the modes of production.

Each mode of production has three aspects:

- A distinctive principle of determining property
- A distinctive division of labor
- A distinctive principle of exchange

Marx regarded social systems as inherently unstable, rather than normally existing in a stable condition. He found the driving force of instability in the capacity of human beings to produce, by their own labor more than they needed to subsist on. He found that the way in which a social system controlled people's access to the resources they needed was equally fundamental. Marx argued that the market created inequalities. History is marked by the growth of human productive capacity and the forms that history produced for each separate society is a function of what was needed to maximize productive capacity.

- Much of the work of Marx and Engels examined the conflict generated by the increasing wealth of the capitalists (Bourgeoisie) at the expense of the working class (proletariat) who only sunk deeper into poverty.

- Marx and Engels viewed history as a sequence of evolutionary stages, each marked by a unique mode of production. The history of Europe seen in terms of the transition from feudalism to capitalism and eventually to communism. Under the feudal system, which preceded capitalism, surplus was secured by the legal power of the feudal lords over the serfs and peasants who worked in their lands. Violence and repression could reinforce legal power if the peasantry resisted handing over the surplus, under capitalism; the extraction of surplus is managed more subtly through the mechanism of the wage (salary). The wage is only equivalent to some of the value of the work performed by the laborer but the remaining 'surplus value' is taken by the capitalist in the form of profits. Thus, in a capitalist society, the power and wealth of the dominant class is seen as legitimate, rather than simply backed by coercion as it was in feudal societies. What was going on is concealed from the laborers under the idea of a fair wage for a fair day's work.

- ✓ The power of the capitalists is secured through elaboration of mystification in the ideology, which results in the false consciousness of the lower class.
- ✓ Marx and Engels viewed social change as an evolutionary process marked by revolution in which new levels of social, political and economic development were achieved through class struggle.

- ✓ A class is defined in terms of the relationship of people's labor to the means of production. Each mode of production produced characteristic class relationships involving a dominating and a subordinate class.
- ✓ Capitalism produces a relationship of mutual dependence between the bourgeoisie and the proletariat (without laborers the capitalist cannot make a profit), which is also inherently antagonistic: the interests of the two main classes are opposed.
- ✓ Marx and Engels saw a history of class relationships in which those who work have been polarized in opposition to those who control the means of production.
- ✓ Marx also maintained that self-consciousness is an attribute of class existence. Consciousness leads to one's group's collective solidarity, and common interests in relations of production. Marx believed that various tendencies in capitalism would promote class conflict.
- ✓ The relative gap in wealth between the dominant and subordinate classes would steadily increase. The processes of capital accumulation and competition would combine to produce ever more extreme crises of capitalism. Propelling processes of class conflict towards an ultimate social revolution.

Evolutionary Marxism

- ✚ Engles had stated that socio-economic development occurred in a series of stages from primitive communism, to slavery, feudalism, capitalism, and finally, industrial communism. He believed in unilineal evolutionism.
- ✚ The **first** stage, **primitive communism** was an aspect of savagery (borrowed from Morgan) characterized by a public control and ownership of the means of production and an absence of exploitation and social class.
- ✚ The **second** stage, **slave society** is related to barbarism (borrowed from Morgan). Property is identified with people, to own people are to have some control and ownership to the means of production. Yet, the notion of private property in relation to land did not exist at this stage of development
- ✚ The **third** stage, **feudalism** can has been seen in Medieval Europe. There is a class distinction made between aristocrats, those who own land and serfs the subjects of the aristocrats. Aristocrats own the land and distribute it among their loyal serfs. Thus, there

is property related to land, and to control and own this property is related to the control and ownership to the means of production (i.e. the serfs).

- ✚ The **fourth** stage, **capitalism** is the current stage of society. At this stage there are two classes: the **bourgeoisie**, the ones who control and own the means of production; and the **proletariat**, those who most sell their labor to the bourgeoisie.
- ✚ Marx and Engels argued that the real basis of social and political inequality was property ownership and since there was no private property in primitive societies, there was no state and no class or inequality.
- ✚ Marx's causal paradigm, recognizing three subsystems of culture: - technology, social relations/life and ideology
- ✚ Technology drives change in the social system, social life shapes ideology.
- ✚ The **final** stage (industrial **Communism**) is yet to come.

Structural Marxism

- ✚ In the mid-1960s in France and Britain, structuralism was the dominant theory in anthropology. French philosopher **Louis Althusser** and sociologist **Maurice Godelier** merged Structuralism with Marxism
- ✚ The British social anthropologist **Jonathan Friedman** (1974) believed, like Marx, that society is formed by the conflict (or absence of conflict) between the infrastructure, the forces of production and the relations of production; and the superstructure, the political and the ideological life.
- ✚ **Neo-Marxists** argued that polarized classes analogous to those detected by Marx and Engels under early capitalism could also be detected among across virtually the whole range of precapitalist societies.
- ✚ Thus African societies, presented in harmonious coherence by earlier functionalist ethnographers were now shown to be known with conflict and class struggle. To the extent that male elders appropriated the surplus labor of their juniors and of women, they were seen to be exploiting class or at least they could qualify as a class in itself.

Characteristics of Marxist studies

1. A focus on issues of structures of power and exploitation
2. A concern with conflict and change

A starting point in the material system of production and ownership of property

4. An analysis of action as political power struggles between social groups defined by their control of property

5. Various ways in which class, identity, and local struggles intersect

Radical Critique

The turn toward Marxist analyses coincided with changes in the empirical base of the discipline - the fieldwork situation changes were underwritten by:

1. The ongoing decolonization of Third World countries
2. The reorientation of funding opportunities toward social problems in the United States
3. The politicization of native peoples at home and abroad, and
4. The emergence of various indigenous and advocacy groups including the International Work Group for Indigenous Affairs (IWGIA) in 1968. A society with its world view, taken for granted. Knowledge derived from the capitalist mode of production, influences the people who practice a particular science and the further development of that field.

- In anthropology, the earliest critiques took the form of denouncing the historical links between anthropology on the one hand and colonialism and imperialism on the other. In 1969, the radical wing of the American Anthropological Association presented a resolution to the Association's annual meeting which began:

- How do we assess the claims of a discipline which writes accounts of "cultures" abstracted from the contexts of capitalism and imperialism, racism and domination, war and revolution?

- The reality is that anthropology is the offspring of colonialism, and reflects a state of affairs in which one part of humanity treats the other as an object and in which the anthropologist is her/himself a victim and her/his power of decision is a fiction, embedded as it is in the exploitative foundations of our society.

Marxism is a lively part of modern social science, apart from Marxism's status as a political ideology or call for social and economic change. Many Marxist writers delight in tracing arcane bits of definition to an original publication by Marx or Engels and feels that a "correct" definition is sufficient analysis. This is fine for those who interested in the history of ideas but not appropriate for an empirical social science.

Marxist approach classifies a society or the economy based on modes of production unlike others. This assumption was based on the work of Karl Marx who has classified mode of production in to five stages which reflects their economy. This classification includes: Primitive society, Slavery society, Feudal society, Capitalist society and Socialist/ communist society. The distinctive features of primitive and communist society among the others were the absence of state and class society where property is equally owned by the people. The remaining were class and state society even though the degree of class division was different from one another based on means of production.

The first step in a Marxist analysis is to describe the inequalities in the distribution of wealth and power in the society. Wealth and power here are defined so as to include the usual things (money, possessions, influences and so on) but without fail must include the sources of productive wealth. There is a well-known phrase “control over the means of production” which implies who has control over the tools, money, knowledge or people who create the products that the society values. Contemporary Marxism finds this ownership to be unequally distributed in most societies, but the worst inequalities are found in capitalist societies.

Such inequalities are usually structured along socially defined lines such as kinship, social background and residence and define socio-economic classes. Capitalist and wage workers are the basic classes Marxists study in the capitalist industrial societies, but analysts of non-capitalist(that is tribal or kinship based) societies sometimes use related ideas to study men versus women or elders versus juniors as social classes subject to inequalities. The boundaries of these classes constitute “contradictions” in Marxists thought, in the sense that the inequalities contradict the social pretense that people are “equal”. In industrial societies the contradictions represent lines of potential opposition where class-based revolutionary change can realign the distribution of power and wealth.

An ideal Marxist analysis would first study the distribution and functions of power by studying how the products valued by that society are produced and converted into wealth and how that wealth is distributed among segments of society. In this analysis we can find two important concepts such as history and ideology. In this context history refers to the study of how the patterns of inequalities in control over productive assets are reproduced overtime. This refers to the historical context and development of observed distribution would be intensively examined

for patterns of change over time. When we come to ideology it refers to the ideological means by which the poor accept their low positions and the rich justify their high status. These systems of belief are called hegemonies- control one by another in particular group.

Ecological Paradigm

The ecological paradigm in economic anthropology, like the institutional and formal paradigms, does not ignore the benefits of the others. Similar to the institutional paradigm, the ecological paradigm in recent years has examined specific “micro-processes” in a given society and analyzed their impacts. Yet they do so with methods that are empirical and quantitatively based. The paradigm grew out of the tradition of Franz Boas and the work of Julian Steward and Leslie White. Both Steward and White followed Boas’ tradition of taking the “variation in social organization among different cultural groups” as their central issue and seeking the order and reason that would explain the variety found in “systems of kinship, leadership, and settlement among the world’s peoples”. To both, “the key was to be found in the ways that people made a living, in their subsistence system[sic]” (Wilk 2007: 20). This led to ecological models based upon “physical and biological variables set often in an evolutionary framework” (Dalton 1969: 65). As such, it tended to consider economics in the “substantive” sense of “economic activities”.

More recently it has had an “affinity with the definition of the economic as an embedded process in society concerned mainly with provisioning (production and exchange)” (Gross 1983: 155). It is interested in the “rationality of the system” or the “ecosystem” rather than the individuals (Wilk 2007: 21; Halperin 1988: 17). Here the ecosystem is defined as “consisting of a set of interacting species of organisms and their physical environment” (Halperin 1988:17). It is this ecosystem, which is often analyzed within an evolutionary framework, that is the unit of analysis within the paradigm (Dalton 1969: 65).

The theory of the ecological paradigm is nomothetic and cross-cultural (though critics of the paradigm contest the cross-cultural ability of it. See Halperin 1988:17-18). Proponents of the paradigm say that nature has an economy that is observable in the cultural arrangements to obtain dietary protein (Gross 1975 in Gross 1983: 160). One explanation for this, according to ecologists, is that they maximize their “fitness,” meaning their “chances of making a genetic contribution to the next generation” (Wilk 2007: 21-22). Another is that ecologists look to divide

the ecosystem into a core and periphery. The core consists of “items which can be identified in any society” like “the physical and biotic environment, the tools and techniques available for using that environment, and the material transactions between the human population and the environment and among people themselves” (Gross 1983: 161). Such cultural items as kinship and religion are relegated to epiphenomena (Godélier 1977; Friedman 1974 in Gross 1983: 161). Evans-Pritchard’s *The Nuer* (1944) is a good example of the ecological paradigm with its focus on shifting settlement patterns.

Feminist School

The feminist school of thought is most closely associated with the institutional paradigm, though it is more generally a subtype of gender studies and can be applied to almost any branch of anthropology. *Feminists argue that “economics is a powerful part of a modern patriarchy that tends to define women out of positions of power and control”* (Wilk 2007: 17). The roots of this philosophy lie in the Greek word “oikos” meaning “house,” from which the word “economy” is derived (17). The management of the household was considered economics, which was controlled by the male head of the house. As was discussed at the beginning of this paper, it was not until the seventeenth century that the separation of “public” from “private” separated the notion of the economy from the household. At this point, the domestic or private sphere was relegated to the women, while the economic or public sphere remained in the hands of the men.

The feminist paradigm is also related to the idea of a dualist economy, where actions that are considered economic fall on the male side, and non-economic actions fall on the women’s side (Wilk 2007: 17). As this dualism affects all societies, including the Western society, feminists conclude that the Western economy is just as “deeply embedded in social (gendered) relations as the Trobriand and Tlingit economies are” (Wilk 1007: 19). Their work focuses on dismantling these dualisms and re-evaluating many of the earlier ethnographic studies in economic anthropology and showing the “economic woman” in them. The book *Woman, Culture and Society* (1974), edited by Michelle Rosaldo and Louise Lamphere, has been crucial to the development of feminist anthropology. In a compilation of essays, it asks how male domination came to occur in many societies and how that has affected scholarship, especially in anthropology. It advocates for the need to change the perception that women have always been the weaker sex and questions many of the presumptions about how societies are structured. For

example, it looks at not the nature of whether humans are naturally good or evil but whether women are naturally inferior to men.

Neo evolutionism

White (1949) argued that, cultures evolved as they increased their control of energy sources: from fire to animal power, to coal, to oil, to electricity, to thermonuclear power. At every stage, we become more adept at using greater and greater amounts of energy. Contemporary theorists would add that we increase in ability to use energy more efficiently and to control it better.

2.6. Julian Steward's Ecology

Steward was the first to combine four approaches in studying the interaction between culture and environment:

1. An explanation of culture in terms of the environment where it existed, rather than just a geographic association with economy;
2. The relationship between culture and environment as a process (not just a correlation)
3. A consideration of small-scale environment, rather than cultural evolution. His approach was groundbreaking.

Steward's primary arguments were that:

- (1) Cultures in similar environments may have similar adaptations;
- (2) All adaptations are short lived and are constantly adjusting to changing environments
- (3) Changes in culture can elaborate existing culture or result in entirely new ones.

Steward coined the term **cultural ecology** to describe his approach and is frequently referred to as the father of ecological studies in anthropology.

Cultural Materialism

Cultural materialism is a practical, rather straightforward, functionalist approach to anthropology. It is based on the idea that "human social life is a response to the practical problems of earthly existence" (Harris 1979: ix) and that these issues can be studied in a practical way. Cultural materialism emphasizes very empirical phenomena, such as technology, economy (e.g., food), environment, and population, takes an evolutionary perspective, and has an unwavering commitment to the rules of Western science.

Marvin Harris (1966, 1968) espoused a concept of “techno-environmental materialism” that initially held that all cultural institutions could be explained by direct material payoff. Harris did not claim that this always provided a total explanation; he saw it as a research strategy.

One starts by looking for a direct material payoff—typically in food calories—for a cultural institution. If that is inadequate, look for a payoff in protein or in shelter. Only when all material payoffs have been eliminated should one investigate psychological and sociological factors.

2.8. Rational Choice theory

Currently, one paradigm in environmental social science is some form of **rational choice theory**. This theory, popular in economics and political science as well as in some fields of anthropology, asserts that people decide how to achieve their goals on the basis of deliberate, individual consideration of all available information, that they seek out better information as required, and that they are good calculators of their chances; that they know where to hunt deer, which crops will grow, and how to trade off the potential yields of hunting deer versus cultivating crops.

But: However, each culture has different goals, different technologies, and different concepts of what is rational, so the rational choice of group “A” will likely be different from that of group “B”, even in the same environment. People take on many traits, such as language and diet, long before they are old enough to make rational choices. Also, people do not have time to decide everything in detail. They have to take shortcuts, which usually mean going with habit or imitating others.

Political Ecology

A recent development in human ecology is the rapid spread of **political ecology**. The term was coined by Steward’s student **Eric Wolf** in 1972 (Wolf 1972, 1982). [...]. Political ecology is concerned with power relations and specifically with the day-to-day conflicts, alliances, and negotiations that ultimately result in some sort of definitive behavior. It directs our attention to immediate processes and conflicts. It also is notably concerned with scale, analyzing conflicts from the household level to the local to the global. [...] Perhaps most important of these influences was environmental politics. Worldwide battles between exploiters and conservationists have always had a serious impact on indigenous communities. Most political ecology falls into two broad categories:

First is the work on resource management in complex contemporary societies. Much of this work involves management of resources owned by the community or not owned at all, and studies of common property water resources have been important.

Second was research on the fate of small-scale, indigenous societies caught in the midst of “modernization”. In recent years, political ecology has been increasingly influenced by world systems theory. This theory was developed largely by **Immanuel Wallerstein** (1976). He began to look seriously at the interconnections of societies around the world—going beyond the simple “rich-poor” and “developed-less developed” contrasts to see how the rise of one society might lead to, or be linked with, the fall of others.

He [Wallerstein] separated the world into “**cores**” (the rich nations: Europe, North America, and Japan today; China and the Near East a thousand years ago); “peripheries” (poor and isolated societies); and “semiperipheries.” These last are the countries in between, fairly well off but with much poverty and displaying a contrast of highly developed and much less developed sectors.

- (1). Human activity has affected virtually all environments;
- (2) Human activity does not necessarily degrade or improve environments
- (3) Different cultural systems have different impacts on their environments; and
- (4). Human interaction with the environment can be understood as a total phenomenon. This directs attention to individual action as opposed to such things as evolutionary dynamics, cultural ideologies, or social systems.

Chapter Three

3. Models of Human Behavior and Decision Making

Economics was begun in Europe as the study of moral philosophy. Like Christianity itself economics asked questions about human nature. As economic philosophy emerged as separate from theology, those philosophers asked: are human beings self-interested or altruistic? Are people naturally prone to place their own needs above others? Or to take what they want at the expense of others?

Everyone can see that in real life people sometimes act selfishly and at other times appear to put others' interest above their own. The question is why? Is it "natural" state of man or caused by something artificial?

There are three very different models of human behavior and decision making. These are:

- The self-interested model
- The social model
- The moral model

The Self-interested Model

This is the basis for the dominant approach in microeconomics, the part of economics that is concerned with individual behavior. The self-interested rational individual or "economic man" has been a feature of social science since the period of enlightenment. The self-interested individual appears in countless folktale and proverbs; a common theme is that selfishness is natural and that civilization struggles constantly to tame the natural beast.

Modern economics has softened the harshness of selfishness by emphasizing that the self-interested individual is not necessarily maximizing material gains. Instead, the person is maximizing an internal utility that may include love, security, etc. Thus, a self-interested individual may appear to be doing things unselfishly for the people, when in fact the person still doing it for his/her own satisfaction. For instance, a person may give money to charity, but only

because doing so produces a good feeling. People do have other motives besides self-interested though they always think of themselves.

The Social Model

A social theory of human nature focuses on the way people form groups and exercises power. This forms the basis for approaches often labeled to political economy. The social person identifies with a group and motivated by the interests of the collectivity- the household, social class and so on- sacrificing for the greater good.

This kind of theory assumes that peoples are “joiners”. They want to belong to something and once they do they give up some of their autonomy and take on the group’s interests as their own. Understanding their behavior therefore requires that we study norms (shared group beliefs) and the solidarity and continuity of the group rather than individual self-interest. E. Durkheim associated with this concept of human nature; however, he did not think humans were naturally social. He argued that religion was the human institution that taught people to be social, that led them to place the interest of the group above the self through the use of common symbols.

The Moral Model

This perspective underlies what can be called cultural economics. The moral person’s motivations are shaped by culturally specific belief systems and values. These behavior and choices are guided by a desire to do what is right and these moral values flow ultimately from a cosmology- a culturally patterned view of the universe and the human place within it.

Moral human beings are “believers” whose actions are always guided by ideas of right and wrong, ideas they learn along with the rest of their culture as they grow up. People internalize cultural value systems, so that acting against them produces internal conflict and even illness.

Decisions and Choices: The Rationality of Economic Actors

While economists are concerned with how markets direct the actions of profit-maximizing actors, anthropologists have been interested in exploring how actors’ perceptions, social relations and obligations affect their economic decisions. This wider social perspective became necessary when agricultural research stations began to design programs to increase the productivity of

small farmers in Africa, Asia and Latin America. It became clear that an economic evaluation of the technical packages designed by agronomists did not suffice. To avoid failures, researchers had to incorporate in their analysis an evaluation of the ecological, social and political conditions of the region and the goals and preferences of farmers. They also had to consider the information that was available to producers and the risks that they had to assume. This wider approach was known as Farming Systems Research and relied on interdisciplinary teams that included anthropologists and sociologists, though in secondary roles.

Economic Actors: Individuals or Households?

One of the key findings that anthropologists and sociologists brought to Farming Systems Research was that, in non-Western societies, resources were often controlled by household or larger kin-based units rather than by individuals. Hence, production and investment decisions had to be made at the household or homestead level. Farming Systems Research adopted their recommendation; the household became the unit of analysis in surveys and assessments of production decisions. Anthropologists and sociologists arrived at a similar conclusion when they studied consumption and job search activities in capitalist societies.

Anthropologists, however, were not the only ones to identify households as decision-making units. A.V. Chayanov had already recognized, in the 1920s, the significance of households in production. He argued that the amount of labour that peasants committed to farm production related to tax and rent obligations, replacement of equipment, the consumption needs of the household and their subjective evaluation of leisure against the drudgery.

Marshall Sahlins (1972) introduced this explanatory model to English-speaking anthropologists and it became popular during the 1960s and 1970s. It also attracted the attention of some agricultural economists when Daniel Thorner commented on and translated Chayanov's Russian text in the 1960s. However, some of the assumptions contained in the model limited its applicability. The most salient assumptions are that: households are not internally differentiated; peasant households are not plagued by uncertain outcomes or land scarcity; household members pool and share all resources (Barnum and Squire 1979; Ellis 1988).

Gary Becker agreed that, even in capitalist societies, the household is a unit of production as well as consumption. Production decisions are related to the ability or desire of household members to

participate in the labour market and vice versa. A wife, for example, can choose to stay home to bake the daily bread, take care of children and make their own clothing. But she may also choose to work part-time and purchase ready-made food or hire home help.

Becker argued that the mix of home-produced or purchased goods and services is related to prices, forgone wages of stay-at-home workers and available technology. The number of children, likewise, is expected to relate to the cost of upbringing and expected future benefits. The underlying principle guiding the household decisions is the desire to maximize utility at the household level. Becker's model became known as the New Household Economic model; it influenced many economists concerned with agricultural development in Africa and Latin America. Low (1986) made use of Becker's model to analyse the behaviour of farmers in Africa by adding some other relevant conditions: the cost of purchasing food relative to the cost of producing it, the ability to gain access to land as family size increases. Since these conditions are not often met, he challenged the assumption that family welfare always increases with a corresponding increase in the agricultural productivity of their land.

Low pointed out that welfare is, in part, a function of purchased goods, often from wages that are more likely to be earned by men than by women in the African setting. Furthermore, as Murray (1981) had pointed out, labour migrations erode the labour available for farming and burdened the women of the household with triple duties: farming the land, producing food for the household and taking care of the children. Thus, to understand production decisions and predict the welfare of household members it is important to evaluate all household activities (production and wage-earning activities) and the pooling and distribution of food and cash. Becker's formal econometric representation of his argument, however, is problematic because it assumes that the head of the household is the coordinator of activities and the one who makes decisions on behalf of its members. He also assumes that the preferences of all household members can be summarized in a single utility curve and that this curve represents what is best for the family. When it was pointed out that the head of a household may not be as concerned with the preferences of wives, sons and daughters as with his own preferences, Becker countered that it was in the interest of the head of household to behave altruistically (Becker 1965, 1981). His reply has met with the objection of some economists (Doss 1996; Hart 1992; Stark 1992) and with counter-evidence from anthropologists.

Chapter Four

4. The Anthropology of Economy

4.1. Economy at the Base

An economy's base is the social and material space that a community or association of people make in the world. Comprising shared material interests, it connects members of a group to one another, and is part of all economies.

The base of a community changes over time and assumes many forms that vary by history and context. But it is not represented in economic theories, and our ordinary language often does not bring it to everyday awareness. The term 'base', however, is used in parts of Latin America, and studies from other parts of the world provide many examples of its presence. By twisting the lens on economic processes, we may help reveal the significance of the base, which underlies all economies and is connected to capital in market-dominated economies. But understanding the importance of the base, and the interwoven relation of community and markets, requires a broadened understanding of the sphere of economy.

Ethnographers have demonstrated for more than a century that in other historical and ethnographic societies, as well as industrial ones, economy includes more than markets or the market-like exchange of goods and services.

From an anthropological perspective, economy covers the acquisition, production, transfer and use of things and services. For example, material things are produced and processed outside formal markets, and many transfers take place through practices such as social allotment and apportionment, inheritance, dowry, bride wealth, blood wealth, indenture and reciprocity, each mode having a variety of expressions. Modern (especially neoclassical) economics focuses primarily on market transfers or competitive bidding to the exclusion of these processes, unless the logic of market trade is used to interpret non-market exchanges that have different moral and social parameters. For example, a neoclassical economist may model the formation of property rights and the initial acquisition of property as a way of avoiding negative externalities and providing a greater incentive to work and invest (Alchian and Demsetz 1973; Demsetz 1967);

even social relationships, such as interactions within the family or firm, may be reduced to and modelled as the outcome of rational selections within constraints. Most economists, whether neoclassical, neo-institutional or neo-evolutionary, assume that the human is a rational and solitary agent. Acting under constraints, he/she selects goals and chooses means that maximise self-interest or welfare. This perspective on the human in society cuts against many anthropological assumptions and raises questions about use of the economists' tool kit as a universal way of analysing economy.

In contrast to economists, anthropologists often assume that humans are connected or social beings who build and destroy relationships, and who communicate by language and material things. To be human means being a person socially constructed in mentality, communication and relationships with others. To act as a separated individual without social connections, as in impersonal market trade, is a practice taken only in relation to sociality and culture, on which it depends. But building an economics on this anthropological presumption requires a new set of conceptual tools. The implications of this argument for notions about alienation, property, development, modernisation and well-being, as well as how we conduct ourselves and justify other forms of economy, are considerable.

Two Realms of Economy

Economy contains two realms: that of community and that of market or impersonal trade (Gudeman 2001). Both are found in all economies, each has many variations, and the balance of the two varies over time and by person and situation. These two faces of economy are complexly intertwined, and the border between them is often indistinct.

By community mean small groups, such as households, bands or tribal organisations, but also imagined groupings that may never meet yet hold some interests in common. Communities may be embedded one within another, overlap, and differ in importance, duration, interests and internal structure. Their borders may be firm or porous.

Communities are held together by shared interests that constitute their base; and networks of relationships, connecting people through the base, make up communities. These networks can be thick or thin sets of ties that vary in strength and importance: some ties are perceived as eternal,

others are shorter-term alliances formed to face a common problem, promote an issue or confront a mutual enemy.

An eating club or alumni group that meets once a year, a monthly play-reading group or participants in a ritual performance that takes place once every ten years comprise a more attenuated set of connections. Productive arrangements formed around rights to a water-hole, to a reservoir, to an irrigation system or to a fishing pond – that comprise the base – are more intensively utilised and often involve a thick, frequently-used complex of local, kinship and work ties. Through such community connections, things are appropriated, created and possessed, which maintains the relationships. But communities are more and less linked to economic processes, and not all their performances are economic.

Markets, in contrast, revolve about impersonal trade although these exchanges may be mixed with communal ties, as in the case of trade partners or open-ended contracts. In market trade, the relations between people, and between them and things, are contractual. Individual trades may be cool and impersonal, or surrounded by joking. Although trade may be modelled as an independent transaction, in practice it is surrounded by communities that enable it. Market spaces are contained within communal agreements, such as a peace pact, a threatening fetish or a legal organisation through which expectations about the conduct of others can be assured. Markets of all kinds, whether in a town square or the New York Stock Exchange, have shared rules.

When trades take place within a local market, the rules may be tacit or customary, with an agreement sealed by a handshake. When markets are large with anonymous participants, the rules usually are more explicit and the agreements specified or written; shunning and personal sanctions work in a small market but not a large one.

Markets depend on communities or states for the formation and enforcement of rules of trade and informal agreements, or customs of trading and conducting business, such as ‘transparent’ accounting which, when occluded, may need to be legally enforced by the larger community.

Sometimes the informal agreements that make a market work are so implicit as to escape attention. When the Enron Corporation and the Arthur Anderson accounting firm took part of the corporation’s debt off its balance sheet and out of footnotes, in order to increase the company’s

profit and credit rating, and when these techniques were shown to be used by others, investors were shocked. Enron investors lost money, but the larger market tremors had to do with the broken trust and lack of confidence in corporate adherence to the agreements that ensured transparency of operations. The corporate participants in these practices composed an ‘insider’ community in which the accounting practices had become common. The revelation that this non-transparent community of large corporations and accounting firms was secreted within the market was demoralising. One result was to make accounting practices more enforceable. Regulation was shifted, to a degree, from market participants to an external oversight board.

On the ground, the two economic realms of market and community differ in size, capacity to expand and rate of technological change, and they are institutionally manifested and intertwined. A house economy in Latin America or a compound group in Africa may attempt to maintain itself as a separate unit within a larger association, but it trades some goods with others; conversely, in market economies, many wage earners who purchase food and goods for their households also help sustain themselves by cooking and gardening, by caring for the young, old and infirm, by repairing their houses and by building their furniture and making their clothes. These activities have economic value as they manifest a person and make a space in the world.

We focus on one or the other but not the whole. Acts and things are seen now as part of community, now as separated in the market, depending on the framing; and they can be frozen or move unstably between the two, depending on the prevailing rhetoric, institutions and balance of power. For example, private property in the market can slip into being seen as part of a community’s long-held resources, as when expensive jewellery is kept as a family heirloom: only with regret do we part with these items that connect us to others and provide a sense of identity.

The community realm offers security and a rampart against uncertainty, but it can be home to inequalities, the exercise of unconstrained power and exploitation. The market has proven to be a powerful solvent of community, because it breaks immutable bonds among people that are forged through material goods and services, and it permits and enforces a critique of unequal, if not inefficient, connections. Markets offer a space for making new connections to material things, services and others; for enjoying freedom, exploration and serendipity; for enhancing the standard of living, health and longevity; for degrading the environment; and for creating

inequalities of wealth, poverty, malnutrition, the marginalising of humans, as well as solitude. Neither economic realm is inherently better than the other, apart from a social valuation; neither seems to nourish the full range of human capacities or to provide a space for their achievement. Each constitutes a partial critique of the other.

If today, in industrial societies, we favour one form over the other, we remain caught within our reasons. If we choose to strengthen or enact a community form – from breakaway communities within markets to National Socialism to international communism – we choose material life through connections; but if we choose connections they become contracts. If we select rational choice as a way of life, the selection itself is a commitment that is a-rational. The certainty of having a base with others, as part of our being in the world, always tugs at us, as does the desire to transcend it.

Political Economy

Political economy is characterized by an analytical approach which treats the economy from the point of view of production rather than from that of distribution, exchange, consumption or the market. It does not ignore distribution and exchange but analyses these in relation to the role they play in the production of the material needs of a society, including the need to reproduce and expand the means of production themselves (Dupré and Rey, 1978).

The emphasis here is on the relationship of political economy to economic anthropology. At the same time it is important to recognize that political economy presents itself as a general theory of society, inequality, politics and culture. Some of the most significant work in political economy has been done in relationship to politics, for example the very important work of the late Eric Wolf (1999). Likewise, it is difficult to understand many of the current approaches to gender inequality in anthropology unless one understands the basis of this in theories of political economy. Here debates around the earlier work of Lisette Josephides, which explains the inequality of women in Melanesia as deriving from the exploitation of women in the production process, have played critical roles (Josephides 1985; Strathern, 1988).

From the point of view of economics, the central concept in political economy is that of the ‘mode of production’. The political economy approach is also part of a broad Enlightenment

meta narrative of progress. At its core this is the question of the nature and significance of history in general and economic history in particular. Analyses of particular societies are placed within a broader schema of social evolution that strongly affects the specific study (Godelier 1978: 216–17). Critical issues which continue to preoccupy anthropologists are the significance of the non-Western economic experience in its own right and from the point of view of Western and world economic history, the related issues of Third-World development and of economic alternatives to globalization. These issues are addressed in political economy from a distinctive point of view.

One should note that here I am writing of political economy in the Marxist sense. This tradition of economic anthropology derives from the works of Georg Hegel, and from the critique of British political economy in the work of Karl Marx and of Friedrich Engels.

The discussion begins with the themes raised in the work of the most influential group of political economists in the field of anthropology to date; the French structural Marxists, also known as the ‘articulation’ school. This trend arose in the late 1960s and exerted a major influence on economic anthropology and anthropology in general through the entire decade of the 1970s. Here the critical representatives were Claude Meillassoux, Maurice Godelier, Emmanuel Terray, Pierre-Phillipe Rey, Georges Dupré, Marc Auge as well as historians of Africa – Jean Suret-Canale and Catherine Coquery-Vidrovitch – with whom they worked closely (Seddon 1978). Today all of these anthropologists have abandoned or substantially modified their theoretical outlook with the consequence that this once highly influential school of economic anthropologists is now largely defunct. Where their influence is still strongly felt in South African anthropology and social science, where structural Marxism was one of the inspirations leading to the efflorescence of neo-Marxist political economy.

Structural Marxism was primarily an Africanist school, except for Godelier whose specialty is Melanesia. Their work was characterized in particular by a detailed empirical knowledge of the societies of West and Central Africa and Madagascar, which had been a part of the French African colonial empire. This was by no means the first application of a Marxist-influenced political economy in anthropology. The work of Godfrey Wilson and of Ronald Frankenberg, strongly influenced by the more processual functionalism of Max Gluckman, preceded that of the French by decades (Frankenberg 1978; Wilson 1939).

This group of early British political economists was not theoretically oriented. They were primarily interested in analyzing and documenting empirically the impact of British colonialism: the transformation of land tenure relations; the effects of copper mining in Zambia and of diamond and gold mining in South Africa; the breakdown of 'tribal cohesion' in the economies and societies of Central and Southern Africa; the rise of large-scale labor migration, forced or otherwise, leading to urbanization and 'detrribalization'. Their work in the application of political economy in anthropology, economics and history was pioneering. It provided an invaluable account of the dire economic and social impact of colonialism in the inter-war and early post-war years.

What was distinctive of the French school, however, was the combination of traditional ethnographic empiricism with a self-consciously theoretical orientation. Strongly influenced by the structuralism of Claude Lévi-Strauss and the highly abstract structural Marxism of Althusser and Balibar, their intervention was aimed at having a far-reaching impact on anthropological theory in general. Whereas previous Marxist theoretical interventions tended to distort anthropological knowledge in order to force it into a preconceived schema, their approach was different. Their aim was to use fieldwork as a necessary point of departure for theory. They insisted on a detailed, fine-grained analysis of the economic, political and kinship relationships revealed in their data. On this basis, they approached theory as a construct that should respect and be supported by the data. Part of their influence on economic anthropology was due to this derivation of theory from the familiar fieldwork ethnography long characteristic of anthropology.

As a result of this approach, the French school raised fundamental challenges pertaining to the entire endeavour of economic anthropology. What were the relations of production characteristic of kinship societies? Did exploitation exist within them? What was the connection among production, exchange and the development of markets? How were the main concepts, in particular the central one of 'mode of production', to be understood and applied? What was the source of value in such economies and what was the relevance to other concepts of value in economic theory? How were such economies to be understood in the broad sweep of human history? Could the orthodox meta narrative of progress that had always characterized Marxist political economy satisfactorily resolve such issues?

Modes of Production

The emphasis on production leads to the master concept of this tradition, 'mode of production'. The mode of production is understood to be made up of a particular arrangement of the 'relations of production' and a corresponding level of the 'forces of production'. Relations of production have above all to do with control of the 'means of production'. From this point of view, the key to understanding any economy and society, is to understand who (that is, which strata or classes) controls the means of production, by which every society makes provisions for its material existence and continuity. The concept 'relations of production' is also central. It is the defining criterion for distinguishing one mode of production from the other. Thus the 'Ancient Slave mode of production' was characterized by unique relationships to the means of production. This is an economic system in which a particular social class not only owns the main means of production privately, that is, the land, this class also owns the human beings who work the land. Or, to put it from the point of view of the people who do the work, their relationship to the means of production is one in which they are both deprived of the means and are themselves the property of the dominant slave-holding class.

The other major concept is that of 'forces of production', of which the 'means of production' are a part. Means of production include the 'objects of labor', such as land and raw materials, and the 'means' or 'instruments' of labor: tools and technology. However, the most important 'force of production' is neither instrument nor object of labor. It is 'human labor power' itself, the chief 'force of production'. In other words, integral to the political economy approach is a labour theory of value. Central also is the political, indeed philosophical, conclusion drawn from this idea: namely that, human labour and thus 'the working people' are necessarily the motor of human history. It is here that the character of political economy as a labour theory of value and a theory of exploitation is revealed. For once class-divided economies emerge, each mode of production has a characteristic form of the extraction of surplus. Indeed, it is the very growth of an economy which has the capacity to produce a regular surplus that leads to class division, the transformation of kinship-dominated economies into 'political' societies and to the rise of the state.

The concept of forces of production is not to be confused with or collapsed into the concept of technology. Technology is a human creation and is always applied in association with some form

of human labour, even if this increasingly is ‘mental labour’. It is only one of the forces of production. In so far as technology achieves a relative autonomy this is only because the division of labour has been developed to a high level. Political economy, although attaching great importance to technology, does not offer a technological explanation of the economy. Likewise, this viewpoint differs substantially from the view sometimes characterized as ‘ecological’ anthropology. This ecological view has had an important influence on the work of political economists such as Frankenberg and Wolf. Geography and climate have an effect on economic processes, but these operate only through human productive activity within a specific set of production relations. Human labour power by brawn or brain thus is reaffirmed as the chief force of production, its political expression is in class struggle, and it is retained as the motor of human history.

The practical application of this ensemble of concepts is best understood in relationship to specific modes of production. In the kinship-dominated societies frequently studied by anthropologists, the means of production are communally owned. Tools are usually privately held but ownership of the chief means of production – the land, rivers or lakes – is vested in the kin group. Elders exercise control not in their own right but on behalf of the group. Division of labour is by sex and age, which in general gives seniors power over juniors and men power over women. The mode of production generates only a small surplus, if any at all, and the product is controlled by the elders, who have various mechanisms for distributing it. Exchange exists but is relatively restricted.

In the case of the history of India and China, some argued, various communal modes are followed by the development of an ‘Asiatic’ mode of production. Here access to land remains under communal control but formal ownership is transferred to the state. Relations of production have a peculiar dualism. At the village level, kin groups and the village have what amounts to usufructuary (that is, use) rights to the land but legal ownership of land and of large-scale irrigation works as well as control over long-distance trade is in the hands of the state and an associated aristocracy. Production generates a substantial and regular surplus and this surplus is appropriated by both state and aristocracy as a tax in kind, as forced labour or as ground rent (Godelier 1978: 224). This surplus is distributed and exchanged in a complex long-distance commodity chain. A broad-based ‘commodification’, that much-used concept in anthropology, is regarded as originating here long before the emergence of capitalism. Both local and long-

distance markets develop on a regular basis. Major advances in the productive forces occur in tools, weapons, shipping and technology more generally. Socially, this provided the economic basis for the consolidation of class divisions, politically for the emergence of empires and culturally for the emergence of ‘civilization’.

It is the fact that the surplus was extracted while leaving communal relations intact which is held to explain the ‘relative stagnation’ of the economies of Asia over long historical periods. Empires came and went, but the village economy continued relatively intact. Modern Indian historians, political economists or not, accord some limited credence to the idea of long periods of relative economic stagnation in Indian pre-colonial history, but reject the idea of an Asiatic mode of production (Mukhia, 1985).

French historians of Africa, influenced by this argument about the existence of an ‘Asiatic’ mode of production, identified what was claimed to be a distinctive ‘African’ mode. The notion here was that in all cases of African pre-colonial economies, whether in small subsistence economies dominated by kinship or village life or in the large trading empires which emerged in West Africa from the eighth century, private property in the chief means of production is practically unknown. Land remains communally owned by the lineage, clan or the village group. What then was the basis of the large states? The answer provided was that these were essentially trading states. A tribal aristocracy transformed itself into a ruling class by becoming a trading aristocracy. In the case of West Africa, they controlled the trade in gold, salt and slaves. These products were obtained not by transforming the relations of production but by extracting tribute and by trade.

These arguments are important because, as was the case with the concept of the ‘Asiatic’ mode of production, this was an attempt to explain the relatively low level of the development of the productive forces in the pre-colonial period. According to these ideas, the relative stagnation in the pre-colonial African economy was due to the fact that the ruling classes obtained their wealth from exploiting long-distance trade. Due to their fundamentally mercantile character, they were not driven to develop the productive forces. Communal relations of production persisted undisturbed as the basis of the village economy.

In the case of Western economic history, however, the unique feature is the early emergence of private property in the relations of production. At one-point Engels even writes of the existence of a 'Germanic' mode of production in which communal rights over land and forests exist side by side with private property. But this is not the main line of development. In Greece and especially Rome, the original communal relationships to the means of production are superseded/ replaced by the emergence of Ancient Slavery. Private property in land and slaves becomes the norm at least for patricians.

The slave-owning class appropriates the entire product, including the surplus. Hence the tendency in such systems is for there to be very high rates of slave mortality and for there to be the need for a continuous source of re-supply. Exploitation in slavery is obvious and brutal. Although an enormous advance over previous modes, slavery was rife with inner contradictions. Because of its coerciveness, it is plagued by low productivity and the tendency to destroy the main force of production, human labour power. None the less, during slavery there is an enormous development of technology and this too is a period of empire and civilisation.

While the 'Asiatic' and 'African' modes persist in the East and in Africa, in the West slavery passes away, superseded by a relatively less brutal mode of production, Feudalism. Again the hallmark is the further development of private property in the means of production. The peasant obtains some means of production. He/she is no longer a slave but is transformed into a serf. The dominant class does not take the entire product, only the surplus, although the surplus extracted may be larger than under slavery. Slave masters are transformed into landlords. But in Feudalism, the exploitation of labour is also visible and obvious. This is because surplus labour is extracted in a separate place and at a separate time: on manor land as distinct from the peasant plot, in various forms of forced labour service, in the form of commuted rent. In the case of capitalism, on the other hand, exploitation is concealed within what Marx called 'the hidden abode' of the production process.

The capitalist mode of production is the culmination of the early private property tradition of the West. The means of production previously held by the peasant and the craftsman are expropriated. They are consolidated in the hands of the capitalist class as privately-owned means of production. Peasants are no longer tied to the land or to the guild as in Feudalism. They are formally free to work for whichever capitalist they please. They are no longer serfs but workers.

The capitalist buys only the worker's labour power for which the worker is paid a wage. However, in return the capitalist extracts the labour of the worker over the length of the entire working day. The worker works both to pay him-/herself (a small part of the working day); to replace the existing stock of capital (another part of the working day); and to produce surplus value for the capitalist (often the longest part of the day). This surplus is appropriated as profit and accumulated as capital. Since the working day is not partitioned into three separate sections and labelled accordingly, but is simply an uninterrupted working day, it appears that the capitalist is paying the worker for the entire value of his/her entire day's labour.

This is unlike Ancient Slavery, the 'Asiatic' or 'African' mode or feudalism, in which direct force was an integral part of the production process. Naked force, although never far away in the institutions of the state, is held in reserve. Ideological and cultural forces, the media and the system of rights embodied in the rule of law, play a far more important role in ensuring social stability than in all other modes of production. This opens the door to a political economy of culture.

One consequence of capitalist relations of production is that it is a far more productive economic system than all previous modes of production. It facilitates an unprecedented accumulation of capital and concentration and centralization of the means of production. Huge corporations arise. Large financial entities and stock markets emerge. Technical progress takes place at an unprecedented rate and reaches hitherto unknown levels. The division of labour becomes international and scientific technology is applied directly to the process of production. There is an immense socialization and internationalization of the forces of production. Capital is systematically exported to and subordinates other less-capitalist economies. A global economy emerges.

Yet the means of production continue to be privately owned. It is this fundamental contradiction of the capitalist system which is thought to generate crises of overproduction and which ultimately results in its transformation. What socialism is thought to achieve, from this point of view, is a fundamental harmonization. The means of production are removed from private ownership and placed in public ownership. The social relations of production now become realigned with the social nature of the forces of production.

Chapter Five

5. Systems of Economic Exchange

The term exchange refers to the transfer of things and commodities between social actors. Things can be human or animal, material or immaterial, words or things. It is a key to social life. Exchange is a meaningful activity, present in all societies, by which valuables are transformed between persons, groups and in religious context between persons and spiritual beings. The other important concepts rise in relation with exchange was the mode of exchange. When we say mode of exchange it refers to the ways societies transfer goods and services. In general, the idea of transactions and distribution of resources found indifferent cultures though the mode of distribution or exchange is different. This can be encapsulated under three main principles of exchange which are essential for every economy. According to economist Karl Polanyi these three systems of exchange are:

1. Market exchange
2. Redistribution
3. Reciprocity

1. Market Economy or Principle

Market economy is an economic system in which production and distribution of goods and services take place through the mechanism of free markets guided by a free price system. In a market economy, businesses and customers decide of their own choices when they purchase and produce. This implies that producers get to decide what to produce, how much to produce and what to pay employees and etc.

The market principle obtains when exchange rates and organization are governed by an arbitrary money standard. Price is set by the law of supply and demand. The market principle is common to industrial societies.

It is a form of distribution in which goods and services are bought and sold; Value is determined by supply and demand. It also characterized by the existence of standardized currency (money) used for exchange i.e. a medium of exchange that has well-defined and understood value.

The following principle more or less explains the market economy. These are

- a) The market principle describes the buying and selling of goods and services based on the laws of supply and demand (things cost are more, the scarcer they are and the more people want them).
- b) It is associated with industrial societies and involves a complex division of labour and central government.
- c) The availability of wide variety of consumer goods

Decision Making: -market economies are bottom-up in decision making as consumer convey information to producers.

Market Externalities: - Examples of situations considered as market externalities include negative externalities, monopolies, lack of provision of public goods and social disparities such as extreme poverty. These are situations which are external to market system but affect the market and exchange situation. Market failures are the result of the market not receiving enough or appropriate information.

Government Intervention: - The proper role of government intervention in market economy remains controversial. Most supporters of market economy believe that government has a legitimate role in defining and enforcing the basic rules of the market.

Market Freedom: - advocators of market economy state that economic freedom is a necessary condition for the creation and sustainability of civil and political freedoms. They believed that this economic freedom can only be achieved in a market-oriented economy, specifically a free market economy. This was started by economist Adam Smith in his book entitled as “Wealth of Nations” in which he called for a “laissez faire” in French which mean that “hands-off”- a term commonly associated with the capitalism movement. It implies that the government is not to intervene in the matters of free enterprise and open market. They believe that the more economic freedom that is available the more civil and political freedoms a society will enjoy.

2. Reciprocity

It is a transfer of goods or services between two or more individuals or groups. It is a mutual exchange of gifts. More generally, it is the relations between people in an economic system, the

obligation they have towards each other in such a system or the practices they engage in relation to one another.

Largely it is based on need and create/maintain or strengthens social relationships. It is also occurs in all human populations, but is the dominant form of exchange for food foragers.

Polanyi and Sahlin identify reciprocity of three kinds namely:

- A. Generalized reciprocity
- B. Balanced reciprocity
- C. Negative reciprocity

A. Generalized Reciprocity (the solidary extreme)

Generalized reciprocity refers to transactions that are putatively altruistic, transactions on the line of assistance given and if possible and necessary, assistance returned. It is most common to closely related exchange partners and involves giving with no specific expectation of exchange, but with a reliance upon similar opportunities being available to the giver (prevalent among foragers). It also known to be altruistic transactions in which gifts are freely given without calculating value or repayment due.

Malinowski's "pure gift" is the ideal type of generalized reciprocity. "Sharing", "hospitality", "free-gift", "help", and "generosity" are also other indicative ethnographic terms of generalized reciprocity.

Generalized reciprocity is an informal gift giving for which no accounts are kept and no immediate or specific return is expected. It involves an exchange between closely related people in which the giver expects nothing concrete in return. In most cases it is shown between parents and children. It is demonstrated by most egalitarian forager groups including the !Kung people.

To generalize it is characterized by: No record-keeping; No expectation of immediate return and highest level of moral obligation.

Example: Meat distribution among pigmy

Family pooling of resources even birthday presents

B. Balanced reciprocity (Mid-point)

It refers to a direct exchange of goods and services. It involves exchanges of equal value between peoples and the return and the goods received should be equal in value. This means that it is the reciprocation of the equivalent of the thing received and is without delay. Balanced reciprocity is the simultaneous exchange of the same types of goods to the same amounts. Balanced reciprocity is more loosely applied to transactions that stimulate returns of commensurate worth or utility within a finite and narrow period.

It is less “personal” than generalized reciprocity and is “more economic”. The pragmatic test of balanced reciprocity becomes an inability to tolerate one-way flow unlike generalized reciprocity; the relations between people are disrupted by a failure to reciprocate within limited time and equivalence leeway. It is notable of the main run of generalized reciprocities that the material flow is sustained by prevailing social relations; whereas, for the main run of balanced exchange, social relations hinge on the material flow. In the case of balanced reciprocity, the social distance between giver and recipient increases relative to generalized reciprocity.

It is a direct exchange where the two parties involved seek to arrive at a mutually acceptable price for goods or services. Most of the time it involves an exchange outside the immediate family and the giver expects something in return.

C. Negative Reciprocity (The unsociable extreme)

It is the attempt to get something for nothing with impunity. Indicative ethnographic terms include “haggling” or “barter”, “gambling”, “chinarey”, “theft” and so on. It involves economy in which people seek to gain all at the expense of others and associated with dealings with strangers or people outside the community.

Negative reciprocity is the most impersonal sort of exchange. It is an exchange between enemies or strangers in which each side tries to get the better of the bargain. It happens when one person in an exchange tries to get something for nothing or for less than its recognized worth. It is an exchange relationship in which parties do not trust each other.

3. Redistribution

Redistribution is the mechanism whereby a politically or economically powerful individual or group collects goods and services from the members of society and reallocates them among the society's members. In redistribution products move from the local level to a hierarchical center, are recognized and sent back down to the local level. It is the main form of exchange in chiefdoms and some industrial states and works with the market system. However, the market principle dominates in the United States as well as East Asia, but redistribution can also be seen operating. For instance, the collection of taxes from citizens needed for designated purposes at local level including social services, education, medication and road construction.

Redistribution is a centralized movement that involves collection from members of a group, often under one head and re-division within this group or appropriation movements toward a centre and out of it again. According to Polanyi, the key features of redistribution were its centrality of organization.

Broadly speaking, redistribution can serve two purposes.

1. Logistic function:- redistribution sustains the community effort, in a material sense.
2. Instrumental function:- as a ritual communion or subordination to central authority; redistribution sustains the corporate structure itself, that is in a social sense.

The best example of this system of exchange is the potlatch among the Indian cultures of North West Coast Region of North America, whereby subjects channeled resources towards their chiefs.

Ceremonial Exchange

Ceremonial exchange is a term that anthropologists have applied to systems in which items of value are publicly displayed and given to partners on a reciprocal basis over time. Typically, these occasions are marked by dancing and festivities, where men, women and children participate in one way or another. This involvement of the community demonstrates the social importance of the complex events involved. These events also create and maintain forms of political alliance between the partners, whether these are particular persons or groups.

Ceremonial exchange therefore becomes an important constitutive factor in the political order of society. Further elements may be added to those we have specified here. For example, the exchanges may take place along lines of intermarriage between sets of kin. They may also spring from compensation payments for deaths that have occurred through inter-group fighting or individual conflicts. Social features of this sort can be added to or subtracted from the basic model, which specifies that ceremonial exchange consists of reciprocal relationships over time that are marked by public transfers of wealth items between partners. In a broad sense, we can also say that the term ‘ceremonial’ refers to the formalized and customary practices of display and communication that take place on these occasions. Owing to the value accorded these practices, we can say that the exchanges form ritual sequences.

Finally, it is important to realize that often the exchanges take place in terms of delayed reciprocity. Rather than the two sides immediately exchanging wealth items, more often one side or partner gives, thereby obligating the recipients to make a return on a subsequent occasion. It is this element of delay that marks the trust or obligation between the sides: if the obligations are not met, relationships can become strained or even hostile. In other instances, there may be instant reciprocity, but usually this also is set into an ongoing incremental sequence spread out over time. The main point here is that delayed exchanges of wealth maintain relationships. An understanding of these processes can help one to appreciate the social interactions of the people involved in the events.

The feature of delayed reciprocity also underlies the basic anthropological definition of the ‘gift’. As with many terms used in anthropology, this has a number of different components of meaning derived from vernacular or non-technical usages. These, however, may not apply well in the anthropological context. The primary vernacular meaning of a gift is that it is freely given for no return: ‘something that is voluntarily transferred by one person to another without compensation’, as Webster’s Third new international dictionary puts it, *sub verbo*. Bronislaw Malinowski, the Polish anthropologist whose work with the Trobriand Islanders of Papua in the Pacific region from 1914 to 1918 demonstrated the importance of an inter-island network of ceremonial exchange of valuables, known as the kula system, was particularly concerned in this study to show that the category of the ‘pure gift’, corresponding exactly to this definition, rarely

if ever occurred among these people. Instead, all gifts were to be seen in terms of appropriate expected returns.

The kula, for example, was based on the delayed exchange between partners of especially decorated arm shells for necklaces (Malinowski 1984 [1922]). The giving of an item, or a series of items, was explicitly designed to obligate a partner to make an appropriate return later. Thus, gifts bound people together, and in doing so helped to create the fabric of society on an interpersonal basis.

These trends in analysis, begun by Malinowski, received powerful early support from the work of Mauss, as we have noted. Mauss linked the ideology of obligatory reciprocity in gift giving, which is the basis for ceremonial exchange, to an ethic of honour by which prestige is either gained or lost between partners. He identified separately the obligations to give, to receive and to repay. One of his cases, from outside of the Pacific, was from the northwest coast of America among the Kwakiutl people. Kwakiutl feasting was called pot latching. Chiefs, with the support of their followers, were the primary participants in it. Success in amassing and giving away objects of wealth and food brought prestige and indicated that the chief was ‘favourably regarded by the spirits’ and so possessed fortune (Mauss 1954 [1925]: 37).

Recipients also could not refuse a gift, for fear of being shamed. And in turn they would have to make a later return, preferably greater than they had received. The potlatch thus had an inherent tendency to escalation. Mauss pointed out that one intention of the giver could be to humiliate the receiver, and this he saw as diagnostic of an agonistic or competitive element.

The Gift and Gift Economy

Gift giving constitutes one of the most important modes of social exchange in human societies. The give-and-take of gifts in everyday life creates, maintains and strengthens various social bonds – be they cooperative, competitive or antagonistic – which in turn define the identities of persons. A scrutiny of the gift and the gift economy, therefore, may provide us with an effective and unique means of understanding the formation of personhood and the structure of social relations in a given society.

It is almost impossible to establish a universal typology of gift activities because the world of gifts is both complex and diverse. Given that some gifts are offered in ritualized occasions while others are not, a basic distinction can be made between ceremonial and non-ceremonial gifts. The most common examples of the former include gift activities in rites of passage and holidays, such as weddings, funerals and Christmas, while an occasional gift offered to a helper to express gratitude or some regular exchange of presents among family members or friends may be considered as non-ceremonial gifts.

Ceremonial giving can be extremely elaborate and constitutes an important social event in its own right, such as the famous kula ring in Trobriand society or the potlatch among the northwest native Americans. Although highly institutionalized and ritualized, ceremonial gift giving is by no means static; instead, it may evolve rapidly in response to social and market changes. A good example in this connection is Christmas giving, which has developed from a moderate and familial activity in Euro-American societies to an elaborate institution of gift exchange across kinship and class boundaries that, as part of the globalization process, has shown a tendency of becoming a global phenomenon by the end of the twentieth century.

Another way to classify gift activities is to look at the agency of social actors: do two persons exchange gifts on behalf of the respective groups that they belong to, such as family, lineage or village community? Or, is the gift exchanged between two autonomous individuals? The custom of bride wealth is a good example of collectivist giving and, by contrast, most gift activities in contemporary Western societies occur between two autonomous individuals.

Bride wealth commonly refers to the property transferred from the groom's family or kin group to that of the bride; it serves to validate a marriage agreement and the transfer of the rights over women from one family to another and is often used by senior men to establish future marriages for the male siblings of the bride. The material content of bride wealth varies from one society to another, but usually it requires items that are most valued locally. In much of Africa, the traditional measure of bride wealth has been cattle in a fixed number, and it often takes the collective effort of an extended family or kin group to provide the required amount of valuables. In a classic description of the Nuer in East Africa, Sir Edward Evans-Pritchard (1940) showed that the standard amount of bride wealth is forty head of cattle. The groom's kinsmen sent these animals to the bride's family in several instalments; then the bride's father was obligated to

distribute these cattle among the relatives of his side and the bride's mother's side, while retaining the largest share for himself.

Because the bride wealth comes from and goes to a host of families on both sides, the giver and recipient represent two collectivities, and the gift process helps to establish affinal alliances between two kin groups. Consequently, the divorce of a couple will also have far-reaching implications on these two kin groups.

In general, most collective gift-giving activities are institutionalized and ceremonial because collective identities and group interest are at stake, while most individualistic gifts occur in non-ceremonial occasions. But there are exceptions. The exchange of kula valuables is an institutionalized ceremonial activity but remains as a highly competitive enterprise wherein individuals act as free agents. On the other hand, the offer of an engagement ring in contemporary Western societies is a highly ritualized and institutionalized act of individual giving.

Looking at the context of social relations, we can see a distinction between horizontal and vertical gift exchange. Horizontal exchange occurs among social equals while vertical exchange cuts across the boundaries of social status; but the two types of gift activities may co-exist on some occasions.

Taking the Christmas gift giving as an example, the horizontal exchange of gifts among friends, classmates and co-workers goes on together with the vertical exchange of gifts between employers and employees, patrons and clients, hosts and service providers and, to a lesser degree, between senior and junior generations in a family or kin group. Given the implications of inequality and hierarchy that are inherent to most cases of vertical gift giving, a unilateral and downward flow of gifts often plays an important role in the formation of political authority and power, such as in the cases of the Melanesian big-man and the Polynesian chief.

Gender is another important dimension in the world of gifts. Many earlier studies of gift giving in non-Western societies seem to be gender-blind because they tended to focus on institutions of ceremonial exchanges in public life where women were thought to play only a trivial role.

Gift giving by women is embedded in a network of social expectations, norms and rules regarding their societal rights and duties and their position within the family. This embeddedness of feminine generosity in persistent patterns of social inequality between genders suggests that women, gifts and power are somehow related to each other.

The bonds created by gifts are thus the mutually-dependent ties between persons. Here we can see that the fundamental issue in Mauss's analysis of the gift is to determine how people relate to things and, through things, relate to each other. As Liep (1990: 165) notes, both Karl Marx and Mauss were concerned with the alienation of people from the products of their labour, which increases with the development of capitalist economy. But unlike Marx, who focused on the system of commodity exchange in modern societies and discovers the secret of surplus value (1976 [1867]), Mauss concentrated on gift exchange in 'primitive' societies and seeks answers from indigenous belief systems. To compare the primitive, personal gift economy with the modern, impersonal system of commodity exchange, Mauss lays out a three-stage, evolutionary scheme. Social exchange begins with 'total prestations', in which the materials transferred between groups are only part of a larger range of non-economic transfers. The second stage is gift exchange between moral persons who represent groups. The final stage is commodity exchange between independent individuals in market societies (see Mauss 1967 [1925]:68–9).

Barter and Money

'Barter' is a non-technical English term which anthropologists have applied to a range of transactions that share certain characteristics. Barter typically denotes the direct exchange of goods or services for each other without the medium of money. Within this broad class of exchanges, the term is generally restricted to those in which the prime focus of interest for the exchange partners is in the goods and services themselves rather than the social relationships arising from the exchange: where social relations are the prime focus of interest the transaction is usually referred to as gift exchange.

Barter can thus be understood from both economic and social perspectives. Is there anything about barter transactions, or at least certain kinds of barter transaction, which implies that they are less subject to economic principles than money-mediated exchanges? And where there is a distinction between more gift-like and more self-centred transactions, is the element of social

relationship ever totally missing from the latter, or does it simply take a different form than in the case of the gift? It is the light which barter, in its various forms, throws on questions like these which gives it its wider significance for anthropological theory.

Transaction costs and the problem of identifying a coincidence of wants

In order to clarify the economic logic of barter, we need a notion of cost that does not need to be expressed in monetary terms. In order to grasp this notion of cost, it makes sense to start by thinking of very simple exchange situations. In fact, we can start by considering a situation in which no exchange takes place at all. Let us imagine a group of people who live in total isolation and produce for themselves all the goods they want, using the natural resources available in their locality. Suppose that, among other things, they produce fruit. Does this fruit have a cost? Clearly it does not have a monetary cost, since no exchange is involved. However, there is a sort of cost involved, in the sense that the amount of time and effort required to prune the fruit trees and to pick and store the fruit is not available for other productive purposes, or for leisure. This cost, the amount of alternative goods that must be forgone in order to obtain the fruit, is referred to by economists as the 'opportunity cost' of the fruit. Since there are several other things that could have been done with the time and effort needed to produce the fruit, this opportunity cost could be described in several different ways: in terms of possible improvement to the group's housing, of more time available for hunting or even in terms of more time available for resting.

Suppose that the exchanges took place on the coast, and that both sides were content with a rate of exchange in which the inland group gave three fruit for each fish that they received from the coastal group (we shall discuss the factors determining this rate of exchange later). In a sense we can now talk about a price: the price of one fish is three fruit, and the price of one fruit is a third of a fish; or more precisely we can say that these are the prices prevailing in exchanges that take place on the coast. From the point of view of the coastal group, this price reflects the true opportunity cost of the fruit, since once they have handed over a fish they can immediately start eating the three fruit which they have received in exchange. But this is not so for the people who have come from inland to bring the fruit and carry back the fish. From their viewpoint, the opportunity cost of each fish is not simply the three fruit given in exchange, but also whatever else they could have done with the time and effort needed to make the journey to the coast and back. This additional opportunity cost is the transaction cost. When they get back to their inland

village, the trading party will want some reward for their time and effort, and as a result they will not be willing to hand over fish to their neighbours at the rate of one fish for three fruit. Perhaps they will ask for four fruit for each fish.

The total cost of a fish in the inland village is then four fruit, three of which represent the purchase price of the fish on the coast, and one of which represents the transaction costs. If the trading journey had taken place in the opposite direction, with coastal people carrying their fish inland to exchange in the inland village, the story would be the same. The purchase price of each fruit (in the inland village) would be one-quarter of a fish, but its sale price (on the coast) would be one-third of a fish. The difference (one-twelfth of a fish) represents the transaction cost.

If the transaction cost were higher, each community would be worse off, since the opportunity cost of fish in the inland village, and of fruit in the coastal village, would both be greater. In the example we have considered, in which the transaction costs were simply due to the time and effort involved in transportation, one could expect the transaction costs to be higher if the villages were further apart. However, there are other factors as well which might increase the transaction costs. These all involve, in one way or another, the problem of 'coincidence of wants', the difficulty of bringing together a person who can offer good A and wants good B, with a suitable trading partner who wants good A and can offer good B. These are the problems which money can help with, and their importance explains why most trade in the modern world is carried out with the medium of money (see Hart chap. 10 supra).

Suppose that the fishing season takes place in the spring, and the fruit-picking season in the autumn, and that neither good is easily conserved. In that case, when the inland people bring their fruit down to the coast, the coastal people will have nothing to offer in exchange. If they are to trade their fruit a tall, the inland people will have to offer the fishing people credit, and hope that they will fulfil their side of the bargain by delivering the fish that they owe next spring. If the inland people do not know their coastal trading partners very well, there is always the risk that they may give some of their fruit to unreliable individuals who will fail to deliver the due amount of fish. This risk of default on credit amounts to an additional transaction cost, and therefore will tend to discourage trade between the two villages. It also provides the first situation we have considered in which money exchange would have an advantage over barter. If there were a form of money available which was accepted by both the coastal and the inland

people, then it would be possible for the inland people to insist on payment in this currency when they delivered the fruit in the autumn, and use the same currency to purchase the fish they required in the spring. The same would, of course, apply to transactions initiated by the coastal community. The necessity of credit and the risk of default would have been removed, thus reducing the transaction costs for both communities.

Problems of the coincidence of wants also arise when the economy becomes more complex. Suppose that some of the people in the inland community grow apples while others grow pears, and that some of the coastal community fish for herrings while others catch octopus. Suppose that a man from the inland community has a load of pears which he wishes to exchange for octopus. There is no guarantee that the first person he meets when he arrives at the coast will wish to exchange octopuses for pears. Half of the people he meets will offer him herrings, which he does not want, while half of the rest would rather exchange their octopuses for apples than for pears. He will, therefore, have to spend some time, and hence opportunity cost, contacting the right person to make the exchange. This problem is perhaps not very serious in our example.

However, when you start to think of more complex economies in which many householders wish to obtain dozens, or even hundreds, of different kinds of good by exchange every week, then it becomes clear that arranging for each person to meet with people who wanted to make a direct exchange between the product he or she had for sale, and the many different products he or she wished to buy, would be a very complex business indeed. However, if there were a currency which all concerned were willing to accept, this problem would be greatly reduced. In that case, a man who arrived at the coastal village with pears to sell would only need to identify a few people who wanted to buy pears, and it would not matter whether or not they wished to sell octopuses, or any of the other goods he wished to buy. All he need do is sell his pears to those few people for money, and use the money to buy octopuses and other things from the people who had them to sell, secure in the knowledge that they would accept cash, even if they did not care for pears.

Some real-world examples of the choice between monetary exchange and barter

The essential point of the previous section is that money provides advantages in situations where it is not easy to bring together partners who want to make corresponding exchanges of actual

goods. If the argument is sound, we would expect to encounter barter in situations where finding a partner with coincident exchange wants is relatively unproblematic, or where the transaction-cost advantage of monetary exchange is counteracted by some other disadvantage.

In fact there is a good deal of evidence which is consistent with these expectations. Some real situations correspond quite closely to the artificial example discussed above, particularly when, in mountainous environments, neighboring communities at differing altitudes specialize in different crops, so that the existence of demand for one's own crop and of the supply of the neighboring crop are well known to all concerned. Among the examples of this phenomenon are communities in Bulgaria (Cellarius 2000: 78–9) and in Nepal (Humphrey 1985, 1992).

Closely related are situations in which one crop, potatoes or grain, can be bartered for a wide range of goods. Here the disadvantage of barter compared with money is partly removed by the fact that demand for the core foodstuff is so nearly universal that its acceptability as a means of payment is assured. In many Indian villages, various specialists used to be paid in grain instead of, or as well as, cash (see Harriss chap. 33 *infra*). Cellarius's study of barter exchange in a Bulgarian mountain village provides a particularly neat illustration of the importance of transaction costs. The village concerned is rather isolated, and most residents did not possess their own motor transport.

Traders drove trucks up from the lowland towns with all kinds of goods, which they often exchanged for potatoes. The arrangement must have suited the traders, because they could use the empty space in their trucks to carry the potatoes back to town for very little cost. There was not much disadvantage for the local people since, in the village, everything that could be bought for cash could also be paid for with potatoes. Logically enough, the only people interviewed by Cellarius who insisted on selling their potatoes for cash, and making all their purchases in cash, were a family with their own motor transport, who could therefore take advantage of the greater flexibility that cash offered for making purchases in the more variegated shops and markets outside the valley (Cellarius 2000: 80).

Another factor which, in recent years, had pushed the inhabitants of Cellarius's village towards barter had been a dramatic fall in their cash incomes, occasioned by the closure of the local collective farm, which had previously provided many of the village people with money wages

(2000:76–7). The villagers moved away from the money economy because money was scarce. People can also move to barter when they no longer trust money because of inflation, devaluation or bank defaults. A combination of increased scarcity of money, and a sense of insecurity about whether it could hold its value, seems to have been one of the factors behind the very widespread use of barter by Russian businesses in the late 1990s (Seabright 2000: 4–5).

The unusual extent of inter-business barter in 1990s Russia may have had another cause as well. Before the collapse of communism, a complex system of state planning organised the distribution of materials and outputs between different enterprises. Even after the formal freeing of state enterprises from central control, many of the interpersonal contacts established through this system were still in place, and could be used to identify complex systems of multi-party exchange which would result in a coincidence of wants and supplies (Ledeneva and Seabright 2000: 99; Prendergast and Stole 2000: 50). This may have made inter-enterprise barter in Russia more feasible than it would have been in a system without that country's heritage of detailed state planning.

A final point is that monetary transactions are often subject to tax. In such situations barter may provide a way of avoiding the attentions of the tax-man. Tax avoidance is an important factor in some contemporary barter networks in both Russia and the United States (Humphrey and Hugh-Jones 1992: 6; Ledeneva 2000).

Overall, then, the argument that the prevalence or otherwise of barter can be explained by the relative transaction costs of monetary and non-monetary exchange seems to be well supported by available evidence.

Chapter Six

Livelihood System /Adaptive Strategies in Different Societies

This chapter introduces students to the variety of economic systems that are present in human societies. It especially focuses on the distinctions between foraging, horticulture, agriculture, pastoralism and Industrialism.

Adaptive Strategies:

- ✓ Yehudi Cohen used the term adaptive strategy to describe a group's system of economic production.
- ✓ Cohen has developed a typology of cultures using this distinction, referring to a relationship between economies and social features, arguing that the most important reason for similarities between unrelated cultures is their possession of a similar adaptive strategy.

Yehudi Cohen's Adaptive Strategies:

Adaptive Strategy	Also Known As	Key Features/Varieties
Foraging	Hunting-gathering	Mobility, use of nature's resources
Horticulture	Slash-and-burn, shifting cultivation, swiddening, dry farming	Fallow period
Agriculture	Intensive farming	Continuous use of land, intensive use of labor
Pastoralism	Herding	Nomadism and transhumance
Industrialism	Industrial production	Factory production, capitalism, socialist production

6.1. Foraging

They are people who live everywhere until 10,000 years ago. They are also known as hunter-gatherers. Their basic social unit is the band- is a small group of fewer than a hundred people, all related by kinship or marriage.

A hunter-gatherer or forager society is one in which most or all food is obtained from wild plants and animals, in contrast to agricultural societies which rely mainly on domesticated species. Hunting and gathering was the ancestral subsistence mode of Homo, and all modern humans were hunter-gatherers until around 10,000 years ago. Following the invention of agriculture hunter-gatherers have been displaced by farming or pastoralist groups in most parts of the world. Only a few contemporary societies are classified as hunter-gatherers, and many supplement, sometimes extensively, their foraging activity with farming and/or keeping animals.

At the 1966 "Man the Hunter" conference in Chicago, anthropologists Richard Borshay Lee and Irven DeVore suggested that egalitarianism was one of several central characteristics of hunting and gathering societies because mobility requires minimization of material possessions throughout a population; therefore, there was no surplus of resources to be accumulated by any single member. Other characteristics Lee and DeVore proposed were flux in territorial boundaries as well as in demographic composition.

At the same conference, Marshall Sahlins presented a paper entitled, "Notes on the Original Affluent Society", in which he challenged the popular view of hunter-gatherers living lives "solitary, poor, nasty, brutish and short," as Thomas Hobbes had put it in 1651. According to Sahlins, ethnographic data indicated that hunter-gatherers worked far fewer hours and enjoyed more leisure than typical members of industrial society, and they still ate well. Their "affluence" came from the idea that they are satisfied with very little in the material sense. This, he said, constituted a Zen economy.

Mutual exchange and sharing of resources (i.e., meat gained from hunting) are important in the economic systems of hunter-gatherer societies.

Characteristics of Foraging Societies

Populations scarce, with some sedentary groups in very favorable habitats

1. People organized into groups by only two principles of organization: locality and kinship. That is, there was the band, which is basically a local or territorial group. And there was the family and various extensions of the family to include perhaps lineages and other kinds of kinship organizations in some instances.

2. Many (but not all) foragers seem to be characterized by what has been called the patrilocal band; men tend to spend their lives hunting in the territory they were born in (and therefore know well). Daughters tend to marry out into other bands (thus having to learn new foraging territory, but it is less precarious than having the young men move out.) Hunting in groups might be marginally more efficient among brothers or patrilineally related cousins.
3. No formal specialization of work except by age and sex, with the exception of a part time religious specialist. Of course, some individuals are always better at some things than others.
4. Gender relationships are often, though not invariably, egalitarian.
5. There is no private property in land as we understand it, although land is valuable as a site and bands may have vague right to particular territories, water holes, etc. The foraging peoples of Eastern Northern Canada had specific individual rights in hunting territories, but there is a long standing unresolved debate as to whether this was an indigenous institution, or developed because of the fur trade with Europeans.
6. There was leadership and political domination, but within a framework of a very basic egalitarianism. That is, there were as many positions of leadership available as there were men of ability to fill them. (A bit like the leadership in a school yard). Although foragers in relatively favorable habitats may have had some ranked political leadership. (Australian Aborigines on SE Coast) Warfare among foragers tends to stem from personal grudges and feuds, with little or no desire for booty or territory.
7. Economic life is dominated by sharing and reciprocity. Very often elaborate schemes for the distribution of meat based on kinship. This is practical because if you have a large animal it must be eaten before it rots -- Bushmen have elaborate system of sharing (hunter gives share to his relatives, who give to their relatives) so that the meat spreads throughout the band a bit like the ripples in a pond.
8. Artistic creativity is mainly stuff you don't have to carry about: oral art, humor, poetry, dance, music, bodily decorations etc. Some of the greatest (if unknown) poets have been foragers.
9. Religion by and large stresses adjustment and harmony with the natural world -- certain not overcoming it or fighting it. No salvation religions -- where the inequalities of this world are overcome in a later world.

10. Mobility

11. Egalitarian

12. Seasonal split and re-unions

Coping Mechanism

1. Coping with seasonal variation

a. Mobility and group size changes

Unlike agricultural and industrial societies forager adjust to seasonal variation through changes in location and local group size. This implies that's when there is abundant resource enough to support a large group, they come together and live in large number (macro band) and when there is lack of resource to support a large group, they split into smaller group (micro band). Seasonal changes in group size can be expected wherever important resources (water, game and etc) change in availability and abundance throughout the year.

b. Mobility

Mobility is critical in allowing hunter-gatherer bands to adjust to changes in the distribution and abundance of resource. Binford (1986) has clarified the diversity of such patterns by distinguishing two types of hunters-gatherers based on settlement systems. These are:

1. ***Foragers***: Are typically range out from a residential camp to hunt and gather and return to the camp at the end of the day. Food is not stored but collected each day and used as it is procured. They are usually found in the tropical regions. The Ache and the San is an example of foragers. They change the location of their residential camp fairly frequently
2. ***Collectors***: they obtain specific resources through specially organized task groups. They are found in areas where critical resources are located very far apart. So, they locate their camp near one resource and send out a specialized task group to procure other resources in different areas. The task group often moves a considerable distance away, forming a temporary camp at the resource site and procure a large volume of food. The best example of food collectors are the Eskimo and the Dogrib Indians of North West Canada.

c. Storage

Even though it is a coping mechanism to seasonal variation storage is not widely practiced by hunter-gatherers. This form of coping mechanism is practiced more in the Northern regions where many resources are available much more than enough for limited times and are then unavailable for the rest of the year. In such circumstances sufficient food is stored to last the group throughout the rest of the year. For instance, storage of meat by freezing enables the Eskimo to survive over the year.

2. Coping Mechanism with unpredictable Variation

a. Distribution or food sharing

In the preceding section, we considered how hunter-gatherers cope with predictable seasonal variation. On the other hand, food supplies can also vary unpredictably due to vagaries of weather. The most important way to cope with such risks is through food sharing. Game is an especially unpredictable food source. During a given hunt, the hunters may or may not find game and they may or may not be successful in bringing down what game they found. One way of reducing the resulting variance in meat intake is through sharing. In this respect, food sharing among foragers resembles commercial insurance in industrial societies, where the losses are shared among different individuals in order to reduce the risk.

b. Storage

It is another way of coping with unpredictable variation in food supplies by foragers. Since storage is probably a high-cost activity for most mobile hunter-gatherers, it is more economical for less mobile groups because of the decrease in travel and transport time. For instance Tolowa, Tututni and Coast Yurok of North West Coast of California, who lived in permanent coastal villages for nine to ten months of the year, are a case in point.

c. Visiting or Band level sharing

This is necessary to cope with sources of risk, such as variation in rainfall from place to place, require food sharing on a more regional level. This is most easily accomplished by “visiting” relatives in a band that is camped in a temporarily more well-favored area. For instance, the !Kung and the G/wisan inhabit an environment with great spatial and temporal variation in

rainfall, such that one area get enough rainfall while an area a few miles away is parched. The San cope with this unpredictable regional variation by visiting friends and relatives in other areas, knowing that the visit will be returned when fortunes are reversed. Maintaining close ties with people in other areas therefore crucial. One way in which this is accomplished is by marrying people in other bands.

6.2. Cultivation

6.2.1. Horticulture

- ✓ Horticulture: involves animal husbandry and plant cultivation without the plow, using the hoe and the digging stick.
- ✓ The first horticultural societies appeared ca. 8,000 BC. This type of farming is also called "swidden" and "slash-and-burn" farming.
- ✓ Horticulture is non-intensive plant cultivation, based on the use of simple tools and cyclical, non-continuous use crop lands.
- ✓ Slash-and-burn cultivation and shifting cultivation are alternative labels for horticulture.
- ✓ Horticulture is cultivation that does not make intensive use of land, labor, capital, or machinery.
- ✓ Horticulture involves the use of simple tools and frequently slash-and-burn techniques.
- ✓ Horticulture is also called shifting cultivation because the relationship between people and land is not permanent (i.e., horticulturalists shift between plots of land, leaving areas with exhausted soil or thick weed cover to lie fallow for several years before returning to cultivate them once again).

Characteristics of Horticultural Societies

Horticultural technology can be viewed as the primary cause of some of the common characteristics of horticultural societies. These include:

- Cultivation primarily a female responsibility: Compared to agrarian societies (using plow technology), cultivation in horticultural societies is more often carried out by females.

- High incidence of matrilineality: Matrilineality- the tracing of descent through the maternal line
- High incidence of warfare
- High incidence of ancestor worship: Ancestor worship is related to the central role of kinship based on clans(= extended kin groups).
- High incidence of slavery: Slavery is especially common among horticultural societies.

6.2.2. Agriculture

- ✓ An economic activity which involves both animal breeding and crop cultivation
- ✓ Agriculture is cultivation involving continuous use of crop land, and is more labor-intensive because of its use of domesticated animals, irrigation, and/or terracing than horticulture. Agriculture is cultivation that involves intensive and continuous use of land.
- ✓ Domesticated animals are commonly used in agriculture, mainly to ease labor and provide manure. Many agriculturalists use animals for transport, as cultivating machines, and for their manure.
- ✓ Irrigation is one of the agricultural techniques that free cultivation from seasonal domination. Irrigation allows agriculturalists to schedule their planting in advance (they do not have to wait for a rainy season), and it makes it possible to cultivate a plot year after year.
- ✓ Terracing is an agricultural technique which renders land otherwise too steep for most forms of cultivation (particularly irrigated cultivation) susceptible to agriculture (e.g., the Ifugao of Central Luzon, in the Philippines). Terracing is an agricultural technique that allows steep hillsides to be cultivated and irrigated. In Ethiopia the terracing system in Konso is best example.

Comparison of Agriculture with Horticulture

- Agriculture is far more labor-intensive and capital-intensive than horticulture, but does not necessarily yield more than horticulture does (under ideal conditions).
- Agriculture's long-term production (per area) is far more stable than horticulture's.
- A baseline distinction between agriculture and horticulture is that horticulture requires regular fallowing (the length of which varies), whereas agriculture does not.

Intensification

- Agriculture, by turning humans into ecological dominants, allows human populations to move into (and transform) a much wider range of environments than was possible prior to the development of cultivation.
- Intensified food production is associated with sedentism and rapid population increase.
- Most agriculturalists live in states because agricultural economies require regulatory mechanisms.

6.3. Pastoralism

Pastoral economies are based upon domesticated herd animals, but members of such economies may get agricultural produce through trade or their own subsidiary cultivation.

Various definitions & classifications, but simplest are these:

1. Pastoralism = subsistence system based primarily on domesticated animal production (meat, milk, hides, blood). In this context animal includes cattle, horses, sheep's, goats and camels. All parts of animal are consumed: meat and dairy products, blood and hides, dung for fire and building material.
2. Pastoralists= any population or segment of population subsisting primarily via pastoralism (if also practice significant amount of agriculture, termed "agro-pastoralists").

The term "subsisting" is intended to exclude those who raise animals strictly for exchange value rather than direct consumption (e.g., commercial ranchers and dairy farmers), though as we will see, most subsistence pastoralists rely on trade to some extent, even if large-scale impersonal markets & monetary currency are absent (or only became important in recent decades).

General features of Pastoralists

- ❖ Are people who depend for their living primarily on livestock but not only
- ❖ They inhabit those parts of the world where the potential for crop cultivation is limited due to lack of rainfall, steep terrain or extreme temperatures.
- ❖ The type of livestock pastoralists keep varies according to area and includes sheep, cattle, goat and camels

- ❖ They have close relationship with their animals. The identity of pastoralists is based on the close association with their livestock that forms a key component of their social and ritual life. Due to this they are considered as aimless people who simply follow the tail of their animals which is a more pejorative expression because their movement is for aim of occupying potential grazing land for their cattle.
- ❖ Pastoralists tend to be war like and raid each other's herds. Hostility over grazing land is common. For this reason, male cooperation is essential among pastoralists.

Pastoralists can be categorized in terms of frequency of movement:

- 1) Settled pastoralism: those pastoralists who keeps animals in one place most or all of year, provisioning them with fodder (e.g., hay), which is the typical pattern for many traditional European pastoralists (or agro-pastoralists); this system is relatively capital-intensive (need substantial barns, means to transport hay, etc.)
- 2) Transhumance: those pastoralists who engages in a regular round-trip from home base to pasture (e.g., move herds up into mountain pastures in summer, back to lowlands in winter), without any major dwellings or barns in any location. It mean that a seasonal migration between different environmental zones.
- 3) Nomadic pastoralism: those pastoralists who move herds to any avail pasture, often on opportunistic basis over long distances and with no fixed pattern; characteristic of populations most dependent on pastoralism, and hence primary focus of this course

Environmental/Geographic Distribution of Nomadic Pastoralism

What about the geographical and environmental distribution of pastoralism?

Features of nomadic pastoralism summarized in following table:

Geographical Region	Ethnic Groups	Primary Stock	Habitat Type
Mid-East/East Mediterranean (oldest pastoral zone)	Turkoman, Baluch, Pathan, Basseri	Sheep, goats	Hilly, semi-arid
East Africa & Sahel	Maasai, Turkana, Karimojong, Nuer	Cattle, goats	Dry savannah

North Africa & Arabia	Bedouin	Camels, goats	Very arid desert
Central Asian	steppes Mongols, Kazaks	Horses, sheep, camels	Rich grassland, severe winters (hay for fodder)
Tibetan Plateau	Ethnic Tibetans	Yaks, horses	Arid, low temperature, high altitude
North Eurasian herders	Sami (Lapps), Tungus, Chukchi	Reindeer	Taiga (tundra & boreal forest)

Note that these are all areas where agriculture is either not viable, or is very chancy; can conclude from these and other data that pastoralists are generally found in areas where agriculture is unproductive (due to low or patchy rainfall, low temperatures, etc.), another line of evidence supporting "marginal farmers" origin of pastoralism.

Pastoralists use herd animals as "energy converters" to utilize areas outside the margins of agriculture (e.g., camels eat thorny plants of Sahara, llamas eat grasses of altiplano in areas above agricultural zone); thermodynamic consequence of this is that amount of energy produced per unit area is low, since (1) occupying unproductive environments, and (2) subsisting at higher tropic level than agriculturalists.

In any case, high-density, sedentary populations of pastoralists simply don't occur; it appears that any land capable of supporting this is instead devoted to agriculture.

This again supports thesis that in long run, agriculture out-competes pastoralism (either by subsistence choice or by population displacement) in all but most marginal environments (and those environments are shaped by technology & other anthropogenic factors -- for example, machine-drilled boreholes allow irrigation of land once too arid for agriculture in many areas of Africa & Asia, with resulting expansion of agriculture into those areas, replacing pastoralism). In many cases, environments intermediate in productivity seem to favor mixed economy that combines some agriculture with nomadic or transhumant pastoralism (e.g., many E. African cattle-herders).

Ethiopian pastoralists

About 12-15% of the population of Ethiopia are pastoralists which constitute 62% of the land.

- ✚ Afar, Somali and Borena are the pastoral regions
- ✚ N/eastern pastoralists- Afar, Karrayu, etc
- ✚ Southern pastoralists- Borena and Guji
- ✚ S/West pastoralists- South omo zone- the hamar, Dessanech, Arbore, Mursi, Tsemaku, Benng, Bume, etc

Characteristics of pastoralists in Ethiopia

- ✚ Pastoralism is not uniform E.g. –the Borena are much more cattle oriented but the Somali are Camel oriented
- ✚ The Somali are much more mobile than the Borena
- ✚ Trade (contraband trade) is more characterize the Somali and agriculture the Borena

Similarities:-

- ✚ Dependence on livestock
- ✚ Marginality (marginal environment)- extreme variability and unreliability of rainfall- it come this year it may not come next year. It also means scarcity and seasonal variability of vegetation
- ✚ Drought- vulnerable to drought
- ✚ It is not since the pastoralists are fond of mov't rather to use resources effectively
- ✚ Herd diversification
 - ✓ Cattle and sheep – grazers
 - ✓ Camel and goat – browsers

They mixture these animals based on resources and diseases

- ✚ Herd maximization

It is a tendency to have more animals to afford risks from cattle death, theft, drought, etc. Communal ownership of range land. But it doesn't mean that completely free rather there are rules and regulations in clan, etc.

6.4. Industrialism

An industrial society is a society in which the primary means of subsistence is industry. Industry is a system of production focused on mechanized manufacturing of goods. Like agrarian

societies, industrial societies increase food surpluses, resulting in more developed hierarchies and significantly more division of labor.

The division of labor in industrial societies is often one of the most notable elements of the society and can even function to re-organize the development of relationships. Whereas relationships in pre-industrial societies were more likely to develop through contact at one's place of worship or through proximity of housing, industrial society brings people with similar occupations together, often leading to the formation of friendships through one's work. When capitalized, The Industrial Revolution refers to the first known industrial revolution, which took place in Europe during the 18th and 19th centuries. What is sometimes referred to as The Second Industrial Revolution describes later, somewhat less dramatic changes resulting from the widespread availability of electric power and the internal-combustion engine. Many developing nations began industrialization under the influence of either the United States or the USSR during the Cold War.

Today, industry makes up only a relatively small percentage of highly developed countries' workforce, in large part due to advanced mechanization. The use of machines and robots to facilitate manufacturing reduces the number of people required to work in industry by increasing their efficiency. As a result, a single worker can produce substantially more goods in the same amount of time today than they used to be able to produce. This has also resulted in a transition in most highly developed countries into a post-industrial or service-oriented economy.

Chapter Seven

7. Development and Economy

7.1. Development Theories

Theories of development have been motivated by the need to explain mass poverty. Interest in development issues is dating back not much earlier than the 1950s and early 1960. The development schools of thought emerged roughly in the following chronological order:

1. Modernization theories
2. Dependency theories
3. World economy view
4. Basic needs approaches
5. Alternative modes of production perspective
6. Sustainable livelihood approach

7.1.1. Modernization theories (1950's, early 1960's)

The modernization school of thought was the first attempt to articulate the problem of development in terms of the need to transform the “traditional” nature of “third world economies” into “modern” economies.

Drawing from the historical experience of Western Europe after the World War II, under the Marshal Plan, it advocated the need for **accelerated economic growth through an import substitution form of industrialization**, a process seen to entail securing the right quantity and mix of saving investment and foreign aid. Given the relatively low levels of new capital formation in most “third world” countries, one obvious policy implication was the need for massive capital investment through **foreign aid**. But economic development based on **modernization theories failed** to bring about the much hoped for rapid growth, dynamic industrial sectors, the expansion of modern wage economy and the alleviation of the impoverished rural subsistence sectors.

► The most incisive blow to the modernization theories came from the Marxist and neo- Marxist “dependency” or “underdevelopment” theories, as well as those of the Structuralism writers.

As to Rostow (1962) Modernization Theory have five identified stages, which give shape to the Modernization Theory of development. These are:

- ✚ The traditional society;
- ✚ Preconditions for take-off;
- ✚ Take-off;
- ✚ The road to maturity
- ✚ The age of mass consumption.

Traditional society was famous for a limited range of production. Such a society suffered from a false understanding of environmental capabilities and from a shortage of technology and advanced tools that produced a limitation in production. It represented a biased social classification pattern with the political point of focus on a specific region.

The first steps for advancement from traditional society in Europe stemmed from two important happenings that occurred after the middle Ages: the development of modern science and ideologies and the subsequent land discoveries that led to the increase in trade, and the competitive struggles to avoid becoming European territories. These are considered to represent the preconditions for take-off. The take-off stage starts from the rise of new industries with the application of new industrial techniques, for example, the growth of cotton textiles, timber cutting and the railroad industry.

The road to maturity stage involves the widespread application of technology in its full range. This phase is actually the time of expansion in which some new fields developed into rivals of older sectors. As a society recognizes its need for greater security, welfare and leisure to its laboring forces, it moves into an age of mass consumption. This leads to the provision of extensive private consumption like durable goods, and an extension of power internationally for the nation. Guilhot (2005, p. 120) recognized that as a country moved to the age of mass consumption, it sought development aid and foreign support. Along with this support came expectations of democratization on the part of the developed countries providing aid. This relatively conservative understanding emanated from a hegemonic U.S. belief in the rights of human beings.

7.1.2. Dependency Theories (late 1960's, early 1970's)

The theoretical trust of the dependency perspectives was that **capitalist penetration leads to and reproduces a combined and unequal development** of its constitutive parts.

► Policy implication: indigenous economic and social development in “third world” social formations must be fundamentally predicted upon the removal of industrial capitalist penetration and dominance.

7.1.3. World economy view (late 1970's, early 1980's)

This theory poses the problem of development, not in terms of desired self-sustained autonomous growth and not in terms of undesired dependency, but in terms of **necessary global interdependence**. Just as “third world” countries depend on developed countries for aid, private investment, technology and trade, so do the latter depend on third world markets and natural resources.

► Policy implication: a restructuring of the interdependent relations between the developed North and under-developed South is necessary in order to achieve a ‘**New Economic Order**’.

7.1.4. Basic needs approaches (late 1970's)

This theory shifts development emphasis from a singular concern with restructuring of the world economy to that of restructuring the domestic economy towards a ‘**new internal economic order**’, primarily aimed at **the eradication of mass poverty and social injustices**.

► The “third world” problem of mass poverty is seen as **the consequence more of the pattern of economic growth, rather than the rate of growth, as such**.

7.1.5. Alternative modes of production perspective (1980's)

It assumes contemporary “third world” societies as essentially characterized by the coexistence of sharply contrasting sectors.

► On the one hand, there is the overwhelmingly dominant (in population terms) **traditional sector**, geographically constituted in the rural sector and distinguished by its predominant engagement in low-productivity subsistence agriculture.

► On the other hand, there is also the overwhelmingly dominant (but now in economic and political terms) **modern sector**, geographically constituted in both the **urban (industrial) sector** and the rural enclaves engaged in large-scale extra-active and cash crop agricultural sub-sector.

- ▶ While the **traditional sector** is socially and economically organized predominantly along non-capitalist lines, reflecting the unity of production and consumption,
- ▶ the **modern sector** is organized on the basis of the capitalist mode of production, in which the direct producers are separated from their means of production.

7.1.6. Sustainable livelihood approach (of the UN Brundtland Commission integrates)

The integration of population, resources, environment and development in four aspects:

- ▶ stabilizing population;
- ▶ reducing migration;
- ▶ fending of core exploitation; and
- ▶ supporting the long-term sustainable resource management
- ▶ **Livelihood** means adequate stock and flows of food and cash to meet basic needs;
- ▶ **security** refers to secure ownership of, or access to, resources
- ▶ **sustainable** refers to the maintenance or enhancement of resource productivity in the long term.

▶ Adaptive strategies and capacities generate and maintain means of living and enhance wellbeing and that of **future generations**. They represent **permanent change in community strategy, and structure, organizational processes**; these capacities are contingent upon availability, stability and accessibility of options, which are **ecological, socio-cultural, economic and political**.

7.1.7. Dependency Theory

One of the best-known neo-Marxist development theories is the dependency theory. After World War II a number of Latin American countries adopted an industrialization program emphasizing the so-called '**infant industry**' argument.

- ▶ Analyses by the Economic Commission for Latin America (ECLA), under the direction of **Raul Prebisch**, confirmed deterioration in the terms of trade for traditional Latin American primary product exports compared to imported industrial goods.

► A number of countries consequently decided to produce industrial goods themselves, both to **limit their dependence** on imported goods and to set an **autonomous development process** in place.

But Towards the end of the 1960s it was becoming increasingly clear that this import substitution policy was not decreasing dependency on foreign countries. Foreign companies went behind tariff walls [they paid lower wages], national industry remained dependent on the import of machinery, and the internal market was too limited (through unequal income distribution) to generate sufficient demand. The dependent countries showed a pattern of increasing influence of foreign capital and increasing dependency.

According to the dependency theorists, this process led to a growing social, political and economic marginalization of many Latin Americans. This large-scale marginalization could not be adequately explained by the then-current modernization theory, which blamed the traditional (meaning non-functional or even dysfunctional) values of the marginalized population for preventing their integration into the economic dynamic.

A numbers of political events were also of significance in the birth of dependency theory.

1. The **Cuban revolution**. In 1959 this event presented Latin America with the possibility of socialist revolution. This created the demand for theoretical support.
2. The **military coup in Brazil**. This coup d'état in 1964 led to a policy that opened the floodgates for foreign capital, resulting in increasing marginalization of the working population.
3. **The US invasion of the Dominican Republic**. In 1965 this invasion quashed a popular uprising, emphasizing that imperialism was prepared to defend its interests in Latin America.

Anti-imperialist feelings in Latin America stiffed up by this intervention played a distinct role in the development of dependency theory. The consensus of all dependency theories is the following:

- Underdevelopment is a historical process.
- It is not a necessary condition for the countries of the “Third World”.
- The dominant and dependent countries together form a capitalist system.

- ▶ Underdevelopment is an inherent consequence of the functioning of the world system.
- ▶ The periphery is plundered of its surplus: this leads to development of the core and underdevelopment of the periphery.

The role of **multinational corporations** as to dependency theories were:

- ▶ Multinationals impose a universal consumption pattern, without taking local needs into account.
- ▶ They use capital-intensive techniques in areas with large labor resources.
- ▶ They out-compete national capital, or undertake joint ventures with local capital.
- ▶ They use a variety of methods to transfer capital (e.g., fictitious price systems).
- ▶ They involve themselves in national political and economic affairs, via (among others) their relationships with the local bourgeoisie (ruling class).
- ▶ In short, the contention was that both penetrations of bank and industrial capital, and a consumption ideology that alienated the periphery from itself and made it dependent on the core, led to large-scale marginalization and the non-realization of development potential.

7.1.8. Modes of Production Theory

▶ Laclau attempted to develop an idea where the emphasis lay not on the circulation sphere (trade, appropriation of surplus) but on the production sphere. The question of how products were produced (the production relationships) was further examined.

▶ In France, especially, the modes of production concept were given a clearer theoretical form, particularly by anthropologists Pierre Philippe Rey (1971, 1973) and Claude Meillassoux (1971, 1972, and 1981). The anthropologists found an opportunity to address what they saw as a 'need' in the dependency theories, namely, lack of attention to the local level.

▶ The **basic idea of the modes of production theory** is that a

- ✚ number of modes of production coexist in a society, and that they have a relationship to each other (regarding exchange of labor, goods, capital, etc.):
- ✚ they articulate with each other.
- ✚ Further, it was thought that a relationship between capitalist and non-capitalist modes of production was favorable for the capitalist mode of production.

7.1.9. World Systems Theory

This approach was developed in the mid-1970s [...by **Wallerstein** who adopted basic ideas from dependency theory:]

This stream of discourse considers the many stages of globalization and economic or sociopolitical integration. Today, the question is not anymore only how states and capitalism could evolve but how the globalized capitalism developed. "World systems" refers to inter-state relations, economic competition and the up-coming of global social strata (inter-social strata), and hierarchical interdependence of central and peripheral economies.

Different from Marx's evolutionist typology according to modes of production, world-system theories developed a typology according to modes of accumulation. Chase-Dunn and Hall (1997: 29 cited in Eades 2005: 33) distinguish four modes of accumulation:

- kinship modes, "based on consensual definitions of value, obligations, affective ties, kinship networks, and rules of conduct";
- Tributary modes, based on political (including legal and military) coercion; capitalist modes, based on the production of commodities;
- "hypothetical" socialist modes, that is, democratic systems of distribution based on collective rationality;
- The different modes of accumulation can co-exist within the same system, and there are also transitional and mixed systems. In a process of incorporation separate systems become linked. The nature of this process changes with the mode of accumulation.

The typology of world-systems is based on the mode of accumulation and incorporates many of the classic categories of earlier anthropology (Chase-Dunn/1997 cited in Eades 1997: 34f.):

- ▶ Unequal trade, the exploitation of the periphery by the core, and the existence of a world market were concepts
- ▶ capitalist world economy had existed since the 16th century, that is, since the beginning of the colonial era.
- ▶ non-capitalist modes of production as a part of capitalism

- ▶ Increasingly, countries, which were previously isolated and self-supporting, became involved in the world economy.
- ▶ The final result is the creation of a **core** and a **periphery**, with a number of **semi-periphery countries** in between.
- ▶ The core consists of the industrialized countries, the periphery of the agricultural export countries.
- ▶ **The origin of development and underdevelopment is then found in the incorporation of countries within the world system. Under development occurs because countries are subject to a trade regime and produce for a world market that is characterized by unequal trade.**

7.1.10. Theory of Globalization

The theory of globalization emerges from the global mechanisms of greater integration with particular emphasis on the sphere of economic transactions. In this sense, this perspective is similar to the world-systems approach. However, one of the most important characteristics of the globalization position is its focus and emphasis on cultural aspects and their communication worldwide. Rather than the economic, financial and political ties, globalization scholars argue that the main modern elements for development interpretation are the cultural links among nations. In this cultural communication, one of the most important factors is the increasing flexibility of technology to connect people around the world.

The main aspects of the theory of globalization can be delineated as follows:

- a) To recognize that global communications systems are gaining an increasing importance every day, and through this process all nations are interacting much more frequently and easily, not only at the governmental level, but also within the citizenry;
- b) Even though the main communications systems are operating among the more developed nations, these mechanisms are also spreading in their use to less developed nations. This fact will increase the possibility that marginal groups in poor nations can communicate and interact within a global context using the new technology;

c) The modern communications system implies structural and important modifications in the social, economic and cultural patterns of nations. In terms of the economic activities the new technological advances in communications are becoming more accessible to local and small business. This situation is creating a completely new environment for carrying out economic transactions, utilizing productive resources, equipment, trading products, and taking advantage of the “virtual monetary mechanisms”. From a cultural perspective, the new communication products are unifying patterns of communications around the world, at least in terms of economic transactions under the current conditions;

d) The concept of minorities within particular nations is being affected by these new patterns of communications. Even though these minorities are not completely integrated into the new world systems of communications, the powerful business and political elites in each country are a part of this interaction around the world. Ultimately, the business and political elite continue to be the decision makers in developing nations;

e) Cultural elements will dictate the forms of economic and social structure in each country. These social conditions are a result of the dominant cultural factors within the conditions of each nation.

The main assumptions which can be extracted from the theory of globalization can be summarized in three principal points. **First**, cultural factors are the determinant aspect in every society. **Second**, it is not important, under current world conditions to use the nationstate as the unit of analysis, since global communications and international ties are making this category less useful. **Third**, with more standardization in technological advances, more and more social sectors will be able to connect themselves with other groups around the world. This situation will involve the dominant and non-dominant groups from each nation.