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A COMPARATIVE VIEW OF EXCHANGE SYSTEMS

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Our exposure to economic thought for two centuries has led us to assume that the exchange of economic goods and services occurs in a market. Even in our own market-dominated society, however, we must contend with several forms of exchange which defy analysis by traditional economic categories of supply and demand, price, interest, profit, rent, and rational calculation of economic gain:

1. The gift for a bride or baby, the services of a friend's wife who prepares dinner, the "good turn"--all are exchanges of goods and services of potential market value. To offer to pay in such exchanges, however, is both inappropriate and insulting. Furthermore, any calculation which enters these exchanges is better attributed to the "rationality" of social reciprocation or status-seeking than to the calculation of economic gain.

2. The redistribution of wealth through charity or progressive taxation is again an exchange of potentially marketable commodities. While the economist may analyze the repercussions of these exchanges in the market, his categories of maximization, prices, and returns seem distant from the social rationale which initiates such redistribution.

3. The mobilization of economic resources for public goals--through eminent domain, taxation, direct appropriation, and selective service--involves the transfer of economic goods and services without the intrusion of an economic market. These exchanges affect the level of production, prices, and income in the market, but the concepts of the market do not explain the original exchange.

On the other hand, we still observe the market in varying degrees of perfection, and we know the value of the economists' theoretical apparatus for explaining and perhaps predicting the course of market behavior. What, then, is the scope of economic analysis in the matter of exchange? What are the spheres of economic calculation which justify the postulate of economic rationality? No matter what our final answers, we must conclude in advance that contemporary economic theory cannot generate specific solutions for <u>all</u> the flows of goods and services, even in societies amenable to economic analysis.

In societies where the self-regulating price market is inconspicuous or absent, the categories of economic analysis grow even paler. What can we say about fluctuations of production and prices in the Soviet Union? Certainly, the accelerator-multiplier solutions for free-market economies have their limitations. Even more, what can we say about the traditionalized and reciprocal gift-giving among island peoples which does not hint at economic calculation, prices, or gain? What can we say about the post-harvest distribution in Indian villages in which the guiding principles is caste organization? What can traditional international trade theory say about the isolated port of trade with fixed equivalencies which rule out price-determination by supply and demand? Can formal economic theory be of help in these matters? If not, what sort of theory can?

To such questions, the authors of a recent volume[1] address themselves. Roaming through the records of Babylon, Mesopotamia, Greece, Mexico, Yucatan, the Guinea Coast, and village India, they sketch a fascinating picture of the separation of trading practices from the familiar practices of free-market exchange. In addition, the authors prepare a critique of the analytical power of traditional economic theory and suggest some alternative categories for a better comparative economics. Leaving historical and archeological judgments to experts, I should like to assess the authors' conclusions in terms of their own empirical material and in terms of the desiderata for a science of comparative economics.

The volume is salted liberally with polemic. Self-consciously, the authors affiliate themselves with the institutional economists and the anthropologists, and equally explicitly they reject several other types of analysis: (a) economic history--whether steeped in "historic materialism" or "traditional liberalism"--persists in the "traditional coordinates of money, market, price, etc." (p. 28) in the study of civilizations to which they do not apply; and (b) those "eminently conceptualizing disciplines" (p. 98) of the economists, political scientists, and sociologist also come under attack. The chapter-headings alone--"Marketless Trading in Hammurabi's Time", "Separation of Trade and Market", "The Economy Has No Surplus", etc.--show their disaffection with economic analysis. In addition, Arensberg feels that sociologists maltreat particular social arrangements as "a matter of logical premise in the world-view of their discipline" (p. 102), and that they rely too much on their "formal and often timeless logic" (p. 108). In contrast, anthropologists are likely to ask general questions only after "the details of observation about man's behavior have been taken up, compared, ordered, synthesized, classified, and recognized" (pp. 108-109). (c) Even though the authors' approach is "functional" (p. 308), it is not to be confused with "functionalism and system-building relyings on putative needs of individual or society" (p. 112). Theirs is not a search for "functional equivalents" in society after society, a search which becomes fruitless when "the sweep of cultural evolution and variation starts" (p. 112). To understand culture traits one must know not only their function, but "the relative order of their historical emergence, and the necessary precursors and preconditions they must have had" (p. 112). The authors' self-conscious methodological preferences are therefore institutionalist, inductive, anti-systematic, and hesitatingly functionalist.

To hold such preferences and reject others is certainly legitimate in the present state of the social sciences. Further, the authors are not merely flogging dead horses, since they criticize approaches which have both their advocates and their vulnerability. On the other hand, when one's view of the world is too colored by the rejection of alternative "approaches", he is likely first to waste time on idle issues and second to arrive at curious analytical results.

1. K. Polanyi, C. M. Arensberg, and H. W. Pearson, eds., Trade and Market in the Early Empires, Glencoe, Ill.: The Free Press and The Falcon's Wing Press, 1957, pp. xviii + 382, $6.00.

An example of the first is Arensberg's revival of the deductive-inductive issue in his discussion of the relations between sociology, which deals with functional equivalents, and anthropology, which deals with culture traits. He recognizes the scientific requirement of general analytical statements and general comparative dimensions, as do most of us. At the same time, his discussion seems to oppose sociological (deductive) and anthropological (inductive) methods as mutually exclusive. Surely, enough is known of the philosophy of science and the relations among disciplines to be aware of the necessary interplay between general concepts and empirical observations. One may err in moving from conceptual outlines to empirical investigations and in moving back again. Yet both operations are integral parts of the analytical thought process, and it seems idle to enter controversies over the relative value of each.

All the authors' methodological preferences are apparent in their parallel distinctions (a) between the disembedded and the embedded economy, and (b) between the formal and substantive meanings of "economic". The disembedded economy--most characteristic of the market economy of the nineteenth and early twentieth centuries--is a system in which "men's livelihood is secured by way of institutions that are activated by economic motives and governed by laws which are specifically economic" (p. 68). Its counterpart, the embedded economy, is an instituted system in which the strictly economic elements of price, production, economic motivation, etc., are conjoined to and dependent on other, non-economic institutions (p. 71). Similarly, the formal meaning of "economic" refers to the system of rational choice ("economizing") based on insufficiency of means and the logic of rational action. The alternative meaning, the substantive (which has "nothing in common" with the formal), refers to "an instituted process of interaction between man and his environment, which results in a continuous supply of want-satisfying material means" (p. 248). Substantively defined, the economy implies neither insufficiency of means nor rational choice (p. 243); above all, it is "instituted", or embedded in institutions. In terms of the authors' methodological preferences, the disembedded or formal economy implies a market orientation, a deductive approach, formalistic concepts, and a universal functionalism (i.e., economizing based on scarcity). Correspondingly, the substantive economy implies an institutionalist orientation, an inductive approach, empirically-generated concepts, and a minimum of functionalism (for, indeed, "it is doubtful...whether beyond subsistence man has had any universal economic problems"--p. 110).

Such distinctions, while valuable for certain purposes, come perilously close to throwing out the baby of general economic analysis with the bath of the culture-bound market orientation of traditional economics. This danger may be illustrated in the authors' discussion of the concepts of scarcity and economizing.

To the authors, the postulate of scarcity as the basis for economic activity implies a whole set of premises: (a) an "insufficiency of means"; (b) "more than one use to the means, as well as...at least two ends ordered in a sequence of preference" (p. 246); (c) this gives rise to "economizing" or a choice of means (p. 291); and (d) a retention of formal economic assumptions which "make all economies variations on the market theme" (p. 292). If we remove all but the first--as many modern functional sociologists presumably do--we are either "stripping the concept of its meaning and substituting instead naturalistic assumptions" (p. 292) or opening the door for "devices to introduce a market economy" (p. 303). Hence it seems that we must accept either the whole "economistic" set of premises or an empty "fact of scarcity" from which "nothing at all follows" (p. 289).

Because the authors find shortcomings with the scarcity-economizing formula, they discard scarcity as a general basis for economic activity. What, then, is the alternative? And what is the nature of economic activity? One suggestion seems to be to consult the facts about specific "scarcity-situations". Scarcity is not a general feature of social action but may vary in individual cases. Scarcity-situations may be rare in some civilizations and very general in others (pp. 246-247). In any case, the investigator should look into the facts of scarcity-situations. A second suggestions seems to limit the definition of economic activity to that instituted process which results in a "continuous supply of want-satisfying material means." Apparently, in this case, economic activity does rest on some sort of scarcity or functional basis, for subsistence is a universal economic problem. Yet, even under this process, scarcity is not a necessary condition, as the definition of a substantive economy shows. In still another suggestion, the authors seem to consider the fact of "institutedness" of behavior as an alternative to the scarcity assumption; "...scarcity is present or absent in varying degrees as a result of the structure of society and social attitudes, and choice is often severely restricted by the social structure within which the individual functions" (p. 343).

It seems to me that the authors have erected an extremely unsteady methodological scaffolding in their attempt to replace the discarded postulate of scarcity. Their first error lies in the unhappy dichotomy of scarcity with all the trappings of market behavior vs. no scarcity at all. The straight "economistic" version of scarcity is, in fact, tightly culture-bound; the job of correction, however, is one of analytical repair, not rejection. We may assume, for instance, that a society possesses a value-system which defines certain goals as desirable for unit members of the society at various levels. By a process of institutionalization, the appropriate channels for realizing these goals are specified. It is apparent, however, that all societies exist in an environment which does not guarantee automatically the complete and instantaneous realization of these goals. Hence an inherent part of the definition of the situation is that certain institutionalized attention be given to the supply of various facilities to permit flexibility in attaining the valued goals. The goals may vary considerably, of course, as may the institutionalized provision of facilities. Yet whether the goals concern perpetuation of kinship lines, attainment of a state of religious bliss, territorial expansion, or maximization of wealth, the society must come to grips with the problem of uncertainty in the environment, because it is not completely and instantaneously provident of facilities. This is the basis for both economic and non-economic resources. The instituional-ized attention to the supply of facilities--one aspect of which is the economy in all societies--need not be embedded in one specific type of institution, such as the self-regulating market. Indeed, the structure of the economy will be in part a function of the institutionalized values themselves, in part a function of the general level of differentiation of the society, and in part a function of the availability (or scarcity) of human and non-human resources. Yet, if some sort of interest in readying resources for their use in directed behavior is never institutionalized (embedded or disembedded), this occasions a breakdown in the society in question. Scarcity itself does not determine the structure of the economy; yet, mastery over scarce means is one of the necessary ingredients in defining the economy in a way which can be compared from society to society. This or a similar statement of the scarcity postulate seems to retain its comparability from civilization to civilization and avoids the embarrasing position that scarcity necessarily results in a market-dominated economy.

With this background statement, let us assess the authors' suggestions for an alternative to the postulate of scarcity. To say that the empirical variability of scarcity-situations argues for rejecting the scarcity postulate displays a singular misconception about the nature of institutions. Scarcity is not a strict matter of historical fact--evident at one time and not so evident at another. Scarcity involves a condition of uncertainty as to the availability of facilities. The institutionalization of economic behavior minimizes this uncertainty by the supply of appropriately-conditioned resources. Merely because there happens to be a surplus at one time and a dearth at another does not mean that the economic institution closes up shop during happy times and works overtime during hard times. The empirical variability in the availability of resources, far from being an argument against the scarcity postulate and economic institutions, seems to be strong evidence for stabilization through the institutionalization of economic activity.

Second, to limit economic institutions to those which work toward a supply of want-satisfying material means seems to ennoble the primitive and peasant societies at the expense of the market society. In the former, it appears (but is not necessarily so) that economic activity is devoted to a sort of material subsistence based on food, clothing, and shelter. Clearly, this definition defies the whole notion of cultural variability which the authors as anthropologists insist upon most strongly. Further, it has been long established that to limit the definition of economic activity to the material side of existence is grossly inadequate for the analysis of economic behavior. It seems to have a certain reality about it for the analysis of subsistence economies. Yet in our own society, in which expressive behavior, ideas, and even personalities have economic value, the formula of the "supply of want-satisfying material means" collapses. It is as illegitimate to try to force a physical or material bias on all economic activity as it is to impose a fully-developed market analysis on all types of economy; both operations involve an ill-advised reductionism.

Third, it is commonplace that the definition of scarcity depends on "the structure of society and social attitudes", among other things. This institutionalization of attitudes and behavior, however, is not an alternative to scarcity, but one of the components in its determination. By looking upon "institutionalized" as an argument against "economizing based upon scarcity", the authors come dangerously close to rejecting the whole concept of "economic" altogether and are left simply with "institutionalized control" over material means, which, as we have seen, is insufficient as a conception of "economic".

To summarize, the concepts of "scarcity", "institutionalized", and "economic" are corollaries, not alternatives, and all must be included in the formulation of economic activity which will stand the test of comparative analysis. Our whole judgment of the volume, however, should not rest on the authors' theoretical dilemmas. They did try their hands at locating the actual "manner in which the economic process is instituted at different times and places" (p. 250). Let us attempt to assess their positive results.

Polanyi suggests three patterns of integration of economic activity: (a) reciprocity, or "movements between correlative points of symmetrical groupings"; (b) redistribution, or "appropriational movements toward a center and out of it again"; (c) exchange, or "vice-versa movements taking place as between 'hands' under a market system" (p. 250). These types are "by no means mutually exclusive, nor do they claim to be exhaustive" (p. 99), but presumably they are selected from what are "very few patterns" of integration (p. 250), and attempt to "transcend [the limitations of economic analysis] in a general theory of economic organization" (p. xviii).

Even though the concepts of reciprocity, redistribution, and exchange are meant to be neither exclusive nor exhaustive, better terminology might have been chosen. Actually, all three involve exchange, in the sense that rights to economic goods and services change hands. Perhaps the concept "self-regulating market" should replace their concept "exchange". Certainly, if the authors consider reciprocity and redistribution not to be exchange systems, they carry their anti-economic bias even further implicitly than they do explicitly.

The authors relate these systems of exchange to forms of trade, money uses, market elements, and--in a casual way--to types of social structure. We might abstract the following paradigm, with examples, from their analysis:

	Forms of Integration		
Characteristics	Reciprocity	Redistribution	Exchange
Forms of trade	Gift trade (guest friends, Kula partners, etc.)	Administered trade (fixed prices, equivalencies)	Market trade (higgling-haggling, self-regulating prices)
Uses of money	Payment use (discharge of obligations, not transactions; blood money, bride price)	Standard use of money (equivalencies in staples)	Exchange use of money
Market elements	Exchange at set rates	Exchange at set rates	Market with bargained rates--supply-demand
Types of social structure	Kinship, neighborhood, community (savage society; Kula; Indian village)	Government-controlled (Indian village, floodwater empires, Soviet Union)	Market mechanism (19th and early 20th century Western Europe and America)

This scheme classifies not economies, but types of exchange. Production and consumption systems, for instance, are not considered. Nonetheless, the classification represents a genuine contribution to comparative economics. I should like to carry this analysis a little further, utilizing partly the authors' own examples, and to suggest correlates of social structure which may form the basis for further research.

A convenient point of departure is the authors' link between the categories "redistribution" and "administered trade". Polanyi mentions that several elements of administered trade--checking of quality, physical exchange of the goods, storage, safekeeping, etc.--are associated with the collection of exports and repartition of imports, both of which belong "to the redistributive sphere of the domestic economy" (p. 262). Administered trade is correlated, therefore, with the redistributive kind of economy. Yet the authors' own examples do not seem to justify this conclusion: (a) they describe the ummeanum (a sort of public figure who directed investment) of the early Assyrian trading post conjecturally as fitting into "risk-free marketless trading, organized in the public interest, primarily on behalf of governmental war material procurement" (p. 25). This seems less "redistributive" than "mobilizative", i.e., subordinated to collective social goals, especially wars. (b) The Mesopotamian economy, which seems genuinely "redistributive", is not discussed in terms of administered foreign trade; indeed, the only mention of external wealth concerns booty and plunder; the other goods and services were redistributed internally (p. 36). (c) The administered ports of trade in the Eastern Mediterranean seemed to guarantee political neutrality and protection for traders; there is no mention of a redistribution system by central authorities. In fact, the changing neutrality of the ports of trade was associated with a changing balance of power in the Middle East. (d) The Maya-Aztec trade--dealing primarily in luxuries for the upper classes--was administered trade but scarcely was concerned with the system of redistribution of economic goods and services internally. (e) The most convincing separation between redistribution and administered trade, however, occurs in the case of the port of Whydah and the kingdom of Dahomey. The system of administered trade had very little to do with the "redistributive economy" of Dahomey, but instead with maintaining the kingdom's ability to pursue its military policy; it was an arrangement to trade slaves for implements of war (p. 161). In fact, trade in the great port was to obtain "cloth and military stores" for the "palace, the army, and the houses of the great" (p. 182), whereas the market was for the necessities of the common folk. Administered trade was removed, in short, from much of the whole complex of redistribution.

In the light of these examples, I should like to add a dimension to the authors' classification--namely, the "mobilizative", which subordinates economic arrangements to an interest in pursuing collective goals, particularly in maintaining the political status of the society in question. Mobilization differs from redistribution insofar as it does not solidify and maintain a system of stratification (as the redistributive system does), but collects goods and services into the hands of those responsible for pursuing the broad political aims of the society. Of course, redistributive and mobilizative aspects of the economy may and do appear in the same society. It seems to me, however, that "administered trade" is more a characteristic of mobilizative institutions (usually government) and is seldom connected with redistributive systems. This is true not only for the authors' historical examples of administered trade, but also in modern states with bulk exchange, arranged trade agreements, trade "policies", etc., and in looser groupings such as the Sterling Area.

Therefore, we are presented with four, not three, types of exchange systems: (a) reciprocative; (b) redistributive; (c) mobilizative; (d) self-regulating market. Each is embedded in a particular kind of social structure. One way to identify these respective social structures, as well as to elucidate the principles governing each type of exchange, is to ask what kind of social structure typically appears as the bearer of potential instability for each type of exchange. Naturally, instability of the flow of economic goods and services occurs in natural disasters such as lack of rain, flood, storms, etc., no matter what the institutional embeddedness of an economy. On the other hand, all economies institutionalize a focus for possible instability of economic flows in the following ways:

In the reciprocative system, the exchanging partners are segment units--usually families, neighborhoods, communities, clans, etc.--which base the exchange of goods and services on an implied reciprocative equivalence at appropriate times and places. In order for the resulting flow of commodities to display instability or break down, there must be an alteration in the structure of exchanging units themselves. Of course, this alteration has little or nothing to do with the economic conditions of supply and demand, but rather with the dynamics of kinship, clanship, tribalism, neighborhood, and demography. Because reciprocative exchanges normally follow from an ascribed base (frequently kinship), it is probable that a peculiar stability and inflexibility governs these types of exchanges. Since the sources of their change lie in the modification of ascribed roles, moreover, change is likely to be gradual.

In the redistributive system of exchange, the potential sources of instability are institutionalized in the systems of stratification, or the allocation of rewards in society--whether these rewards by power, wealth, or prestige. For example, the distribution of fixed quantities of foodstuffs in the authors' Indian village was a function of caste position. The redistributive system of the Assyrian city-palace organization was linked closely to the distribution of political power and prestige in the communities (pp. 36-37). To choose a modern example, the institutionalization of transfer payments (progressive taxation, welfare measures, etc.) in the British case rested on a changing ideology regarding the rights of various classes. Finally, the flow of charity in modern civilization rests on institutionalized values concerning the relations between the haves and have-nots in a society with unequally distributed rewards. By investigating the nature and principles of these stratification systems in which redistributive systems of exchange are embedded, we may be able to read some regularity into this kind of economic exchange.

The stability or instability of the mobilizative type of exchange depends primarily on the fortunes of those pursuing the collective goals of society, such as wars, maintenance of the state, etc. The enclaves or ports of trade which the authors so ably analyze fed on a certain balance of power among empires which led all to prefer a politically neutral trading area (e.g., the Near East, pp. 54-55; Dahomey, pp. 174-175, 182). In modern times, the arranged trade and currency agreements of the Nazi and Soviet governments have stemmed from an interest in mobilizing resources for maximizing national power. Further, to analyze some of the arrangements for "bulk purchases" and "procurement of vital materials" would no doubt reveal the same interest in the polity and its perpetuation. Instabilities in this form of exchange, finally, are a function of the political status of the society in question. This exchange is not governed by the principles of the market, in short, but there are definite institutionalized structures--the political authority in its capacity to mobilize resources--through which we may develop generalizations concerning the short-term adjustments and long-term modifications of this type of exchange.

In connection with the market type of exchange, the burden of instability rests on the market itself. Price and the usual economic mechanisms presumably operate outside the concrete institutional nexus of stratification, political authority, or kinship. On the other hand, the institutionalized values of economic rationality govern the rules of behavior in such markets. Furthermore, the fluctuations and changes in market trade are analyzeable within the formal apparatus of economic theory.

We might add that these four types of exchange correspond to the four functional subsystems of society--as outlined by Parsons and his associates--in the following ways:

(1) Latent pattern-maintenance and tension-management. Every social system is governed by a value-system which specifies the nature of the system, its goals, and the means of attaining these goals. A social system's first functional exigency is to preserve the integrity of the value-system itself and to assure that individual actors conform to it. This involves socializing and educating system-members, as well as providing tension-control mechanisms to handle and resolve members' disturbances relative to the values. At the level of society as a whole, the social units which specialize primarily in this "latency" function are families, communities, religious and quasi-religious groupings, etc. The type of exchange among such units--as illustrated by the authors' and other examples--is reciprocative.

(2) Goal-attainment. Given the value-system and its relatively stable institutionalization, the social system must establish certain relationships with the situation external to the system; that is, the system's activities must be directed toward a goal or set of goals. At the level of society as a whole, the social units which specialize in goal-attainment are, broadly speaking, political. The acquisition, control, and disposal of facilities in this political sphere follow the principles of mobilizative exchange--taxation, eminent domain, forced contracts, selective service, etc.

(3) Integration. Harmony of purpose and lack of conflict are not necessarily guaranteed in the specialized pursuit of goals. That function which deals with maintaining the interaction among individual units is integration. At the level of society as a whole, this involves the allocation of rewards and facilities in accordance with the integrative requirements of society. One of the kinds of social structure closely associated with this integrative function is the stratification of the rewards of wealth, power, and prestige. The kind of exchange associated with the integrative subsystem of society is redistribution.

(4) Adaptation. This subsystem involves the supply of facilities by which a variety of goals may be pursued at different times and in different situational contexts. Units specializing in these adaptive functions are economic units--firms, boards of directors, managers, etc. --in the classical sense. The kind of exchange associated with these specialized units is market exchange.

To these sweeping associations, we should add many qualifications. In some societies, all exchange seems to be concentrated in a single type--most notably in the island peoples' reciprocal gift-giving among clans and tribes. In others, such as our own, all four types of exchange are apparent, though a single type--the market--predominates. In still others, such as the Soviet Union, all four types make their appearance, though the mobilizative, redistributive, and market elements are controlled partially under a vast political rubric. The appearance and rank-order of the various types of exchange, in short, are dependent on the value-system of the society in question, the level of differentiation of its social structure, and the complexity of the demands of its internal and external situation. Despite these qualifications, to link types of exchange with types of social structure on the one hand, and to link the types of social structure with types of functional requirements on the other, lead toward a more general basis for the comparative analysis of exchange systems.

1 To summarize, we may agree with the authors' belabored dictum that formal economic analysis has little value outside the market context. We may
2 also accept their assertion that economic processes are instituted or embedded. Yet the authors seem to hesitate to go further than demonstrating these basic points. Perhaps they preferred not to generalize because they were so aware of the shortcomings of formal economic theory. Perhaps, on the other hand, their position as institutionalists and anthropologists led to this hesitation. In any case, they did not go far enough in exploiting the general implications of their own interesting case material. It seems to me that to identify typical kinds of exchange (as they did), to trace these exchanges to typical kinds of social structure (as they did only casually, and in one case erroneously), and finally to investigate the economic results stemming from the principles governing these several kinds of social structure (as they did not do), we may move a step closer to the development of a genuine comparative economics which meets the requirements of a comparative science more adequately than either traditional economics or radical institutionalism.

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Our exposure to economic thought (theory) for two centuries has led us to assume that the exchange of economic goods and services occurs in a market. Even in our own market-dominated society, however, we must contend with several forms of exchange which defy analysis by traditional economic categories of supply and demand, price, interest, profit, rent, and rational calculation of economic gain:

1. The gift for a bride or baby, the services of a friend's wife who prepares dinner, the "good turn"--all are exchanges of goods and services of potential market value. To offer to pay in such exchanges, however, is both inappropriate and insulting. Furthermore, any calculation which enters these exchanges is better attributed to the "rationality" of social reciprocation or status-seeking than to the calculation of economic gain. (why exchange)

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1. K. Polanyi, C. M. Arensberg, and H. W. Pearson, eds., Trade and Market in the Early Empires, Glencoe, Ill.: The Free Press and The Falcon's Wing Press, 1957, pp. xviii + 382, $6.00.

An example of the first is Arensberg's revival of the deductive-inductive issue in his discussion of the relations between sociology, which deals with functional equivalents, and anthropology, which deals with culture traits. He recognizes the scientific requirement of general analytical statements and general comparative dimensions, as do most of us. At the same time, his discussion seems to oppose sociological (deductive) and anthropological (inductive) methods as mutually exclusive. Surely, enough is known of the philosophy of science and the relations among disciplines to be aware of the necessary interplay between general concepts and empirical observations. One may err in moving from conceptual outlines to empirical investigations and in moving back again. Yet both operations are integral parts of the analytical thought process, and it seems idle to enter controversies over the relative value of each.

All the authors' methodological preferences are apparent in their parallel distinctions (a) between the disembedded and the embedded economy, and (b) between the formal and substantive meanings of "economic". The disembedded economy--most characteristic of the market economy of the nineteenth and early twentieth centuries--is a system in which "men's livelihood is secured by way of institutions that are activated by economic motives and governed by laws which are specifically economic" (p. 68). Its counterpart, the embedded economy, is an instituted system in which the strictly economic elements of price, production, economic motivation, etc., are conjoined to and dependent on other, non-economic institutions (p. 71). Similarly, the formal meaning of "economic" refers to the system of rational choice ("economizing") based on insufficiency of means and the logic of rational action. The alternative meaning, the substantive (which has "nothing in common" with the formal), refers to "an instituted process of interaction between man and his environment, which results in a continuous supply of want-satisfying material means" (p. 248). Substantively defined, the economy implies neither insufficiency of means nor rational choice (p. 243); above all, it is "instituted", or embedded in institutions. In terms of the authors' methodological preferences, the disembedded or formal economy implies a market orientation, a deductive approach, formalistic concepts, and a universal functionalism (i.e., economizing based on scarcity). Correspondingly, the substantive economy implies an institutionalist orientation, an inductive approach, empirically-generated concepts, and a minimum of functionalism (for, indeed, "it is doubtful...whether beyond subsistence man has had any universal economic problems"--p. 110).

Such distinctions, while valuable for certain purposes, come perilously close to throwing out the baby of general economic analysis with the bath of the culture-bound market orientation of traditional economics. This danger may be illustrated in the authors' discussion of the concepts of scarcity and economizing.

To the authors, the postulate of scarcity as the basis for economic activity implies a whole set of premises: (a) an "insufficiency of means"; (b) "more than one use to the means, as well as...at least two ends ordered in a sequence of preference" (p. 246); (c) this gives rise to "economizing" or a choice of means (p. 291); and (d) a retention of formal economic assumptions which "make all economies variations on the market theme" (p. 292). If we remove all but the first--as many modern functional sociologists presumably do--we are either "stripping the concept of its meaning and substituting instead naturalistic assumptions" (p. 292) or opening the door for "devices to introduce a market economy" (p. 303). Hence it seems that we must accept either the whole "economistic" set of premises or an empty "fact of scarcity" from which "nothing at all follows" (p. 289).

Because the authors find shortcomings with the scarcity-economizing formula, they discard scarcity as a general basis for economic activity. What, then, is the alternative? And what is the nature of economic activity? One suggestion seems to be to consult the facts about specific "scarcity-situations". Scarcity is not a general feature of social action but may vary in individual cases. Scarcity-situations may be rare in some civilizations and very general in others (pp. 246-247). In any case, the investigator should look into the facts of scarcity-situations. A second suggestions seems to limit the definition of economic activity to that instituted process which results in a "continuous supply of want-satisfying material means." Apparently, in this case, economic activity does rest on some sort of scarcity or functional basis, for subsistence is a universal economic problem. Yet, even under this process, scarcity is not a necessary condition, as the definition of a substantive economy shows. In still another suggestion, the authors seem to consider the fact of "institutedness" of behavior as an alternative to the scarcity assumption; "...scarcity is present or absent in varying degrees as a result of the structure of society and social attitudes, and choice is often severely restricted by the social structure within which the individual functions" (p. 343).

It seems to me that the authors have erected an extremely unsteady methodological scaffolding in their attempt to replace the discarded postulate of scarcity. Their first error lies in the unhappy dichotomy of scarcity with all the trappings of market behavior vs. no scarcity at all. The straight "economistic" version of scarcity is, in fact, tightly culture-bound; the job of correction, however, is one of analytical repair, not rejection. We may assume, for instance, that a society possesses a value-system which defines certain goals as desirable for unit members of the society at various levels. By a process of institutionalization, the appropriate channels for realizing these goals are specified. It is apparent, however, that all societies exist in an environment which does not guarantee automatically the complete and instantaneous realization of these goals. Hence an inherent part of the definition of the situation is that certain institutionalized attention be given to the supply of various facilities to permit flexibility in attaining the valued goals. The goals may vary considerably, of course, as may the institutionalized provision of facilities. Yet whether the goals concern perpetuation of kinship lines, attainment of a state of religious bliss, territorial expansion, or maximization of wealth, the society must come to grips with the problem of uncertainty in the environment, because it is not completely and instantaneously provident of facilities. This is the basis for both economic and non-economic resources. The instituional-ized attention to the supply of facilities--one aspect of which is the economy in all societies--need not be embedded in one specific type of institution, such as the self-regulating market. Indeed, the structure of the economy will be in part a function of the institutionalized values themselves, in part a function of the general level of differentiation of the society, and in part a function of the availability (or scarcity) of human and non-human resources. Yet, if some sort of interest in readying resources for their use in directed behavior is never institutionalized (embedded or disembedded), this occasions a breakdown in the society in question. Scarcity itself does not determine the structure of the economy; yet mastery over scarce means is one of the necessary ingredients

not all

maximization of wealth? not in all

not of its maximization

in defining the economy in a way which can be compared from society to society. This or a similar statement of the scarcity postulate seems to retain its comparability from civilization to civilization and avoids the embarrasing position that scarcity necessarily results in a market-dominated economy.

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With this background statement, let us assess the authors' suggestions for an alternative to the postulate of scarcity. To say that the empirical variability of scarcity-situations argues for rejecting the scarcity postulate displays a singular misconception about the nature of institutions. Scarcity is not a strict matter of historical fact--evident at one time and not so evident at another. Scarcity involves a condition of uncertainty as to the availability of facilities. The institutionalization of economic behavior minimizes this uncertainty by the supply of appropriately-conditioned resources. Merely because there happens to be a surplus at one time and a dearth at another does not mean that the economic institution closes up shop during happy times and works overtime during hard times. The empirical variability in the availability of resources, far from being an argument against the scarcity postulate and economic institutions, seems to be strong evidence for stabilization through the institutionalization of economic activity.

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Second, to limit economic institutions to those which work toward a supply of want-satisfying material means seems to ennoble the primitive and peasant societies at the expense of the market society. In the former, it appears (but is not necessarily so) that economic activity is devoted to a sort of material subsistence based on food, clothing, and shelter. Clearly, this definition defies the whole notion of cultural variability which the authors as anthropologists insist upon most strongly. Further, it has been long established that to limit the definition of economic activity to the material side of existence is grossly inadequate for the analysis of economic behavior. It seems to have a certain reality about it for the analysis of subsistence economies. Yet in our own society, in which expressive behavior, ideas, and even personalities have economic value, the formula of the "supply of want-satisfying material means" collapses. It is as illegitimate to try to force a physical or material bias on all economic activity as it is to impose a fully-developed market analysis on all types of economy; both operations involve an ill-advised reductionism.

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value

Third, it is commonplace that the definition of scarcity depends on "the structure of society and social attitudes", among other things. This institutionalization of attitudes and behavior, however, is not an alternative to scarcity, but one of the components in its determination. By looking upon "institutionalized" as an argument against "economizing based upon scarcity", the authors come dangerously close to rejecting the whole concept of "economic" altogether and are left simply with "institutionalized control" over material means, which, as we have seen, is insufficient as a conception of "economic".

To summarize, the concepts of "scarcity", "institutionalized", and "economic" are corollaries, not alternatives, and all must be included in the formulation of economic activity which will stand the test of comparative analysis. Our whole judgment of the volume, however, should not rest on the authors' theoretical dilemmas. They did try their hands at locating the actual "manner in which the economic process is instituted at different times and places" (p. 250). Let us attempt to assess their positive results.

no discussion of the concept of economic anywhere dual symmetry

Polanyi suggests three patterns of integration of economic activity: (a) reciprocity, or "movements between correlative points of symmetrical groupings"; (b) redistribution, or "appropriational movements toward a center and out of it again"; (c) exchange, or "vice-versa movements taking place as between 'hands' under a market system" (p. 250). These types are "by no means mutually exclusive, nor do they claim to be exhaustive" (p. 99), but presumably they are selected from what are "very few patterns" of integration (p. 250), and attempt to "transcend [the limitations of economic analysis] in a general theory of economic organization" (p. xviii). approximate

Even though the concepts of reciprocity, redistribution, and exchange are meant to be neither exclusive nor exhaustive, better terminology might have been chosen. Actually, all three involve exchange, in the sense that rights to economic goods and services change hands. Perhaps the concept "self-regulating market" should replace their concept "exchange". Certainly, if the authors consider reciprocity and redistribution not to be exchange systems, they carry their anti-economic bias even further implicitly than they do explicitly.

?? integration

The authors relate these systems of exchange to forms of trade, money uses, market elements, and--in a casual way--to types of social structure. We might abstract the following paradigm, with examples, from their analysis:

Characteristics	Forms of Integration: Reciprocity	Redistribution	Exchange
Forms of trade	Gift trade (guest friends, Kula partners, etc.)	Administered trade (fixed prices, equivalencies)	Market trade (higgling-haggling, self-regulating prices)
Uses of money	Payment use (discharge of obligations, not transactions; blood money, bride price)	Standard use of money (equivalencies in staples)	Exchange use of money (indirect exchange)
Market elements	Exchange at set rates	Exchange at set rates	Market with bargained rates--supply-demand
Types of social structure	Kinship, neighborhood, community (savage society; Kula; Indian village)	Government-controlled (Indian village, floodwater empires, Soviet Union)	Market mechanism (19th and early 20th century Western Europe and America)

This scheme classifies not economies, but types of exchange. Production and consumption systems, for instance, are not considered. Nonetheless, the classification represents a genuine contribution to comparative economics. I should like to carry this analysis a little further, utilizing partly the authors' own examples, and to suggest correlates of social structure which may form the basis for further research.

A convenient point of departure is the authors' link between the categories "redistribution" and "administered trade". Polanyi mentions that several elements of administered trade--checking of quality, physical exchange of the goods, storage, safekeeping, etc.--are associated with the collection of exports and repartition of imports, both of which belong "to the redistributive sphere of the domestic economy" (p. 262). Administered trade is correlated, therefore, with the redistributive kind of economy. Yet the authors' own examples do not seem to justify this conclusion: (a) they describe the ummeanum (a sort of public figure who directed investment) of the early Assyrian trading post conjecturally as fitting into "risk-free marketless trading, organized in the public interest, primarily on behalf of governmental war material procurement" (p. 25). This seems less "redistributive" than "mobilizative", i.e., subordinated to collective social goals, especially wars. (b) The Mesopotamian economy, which seems genuinely "redistributive", is not discussed in terms of administered foreign trade; indeed, the only mention of external wealth concerns booty and plunder; the other goods and services were redistributed internally (p. 36). (c) The administered ports of trade in the Eastern Mediterranean seemed to guarantee political neutrality and protection for traders; there is no mention of a redistribution system by central authorities. In fact, the changing neutrality of the ports of trade was associated with a changing balance of power in the Middle East. (d) The Maya-Aztec trade--dealing primarily in luxuries for the upper classes--was administered trade but scarcely was concerned with the system of redistribution of economic goods and services internally. (e) The most convincing separation between redistribution and administered trade, however, occurs in the case of the port of Whydah and the kingdom of Dahomey. The system of administered trade had very little to do with the "redistributive economy" of Dahomey, but instead with maintaining the kingdom's ability to pursue its military policy; it was an arrangement to trade slaves for implements of war (p. 161). In fact, trade in the great port was to obtain "cloth and military stores" for the "palace, the army, and the houses of the great" (p. 182), whereas the market was for the necessities of the common folk. Administered trade was removed, in short, from much of the whole complex of redistribution.

except for trade

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"markets" were fed from "trade"

In the light of these examples, I should like to add a dimension to the authors' classification--namely, the "mobilizative", which subordinates economic arrangements to an interest in pursuing collective goals, particularly in maintaining the political status of the society in question. Mobilization differs from redistribution insofar as it does not solidify and maintain a system of stratification (as the redistributive system does), but collects goods and services into the hands of those responsible for pursuing the broad political aims of the society. Of course, redistributive and mobilizative aspects of the economy may and do appear in the same society. It seems to me, however, that "administered trade" is more a characteristic of mobilizative institutions (usually government) and is seldom connected with redistributive systems. This is true not only for the authors' historical examples of administered trade, but also in modern states with bulk exchange, arranged trade agreements, trade "policies", etc., and in looser groupings such as the Sterling Area.

redistributive mobilization

Therefore, we are presented with four, not three, types of exchange systems: (a) reciprocative; (b) redistributive; (c) mobilizative; (d) self-regulating market. Each is embedded in a particular kind of social structure. One way to identify these respective social structures, as well as to elucidate the principles governing each type of exchange, is to ask what kind of social structure typically appears as the bearer of potential instability for each type of exchange. Naturally, instability of the flow of economic goods and services occurs in natural disasters such as lack of rain, flood, storms, etc., no matter what the institutional embeddedness of an economy. On the other hand, all economies institutionalize a focus for possible instability of economic flows in the following ways:

(remedying?)

In the reciprocative system, the exchanging partners are segment units--usually families, neighborhoods, communities, clans, etc.--which base the exchange of goods and services on an implied reciprocative equivalence at appropriate times and places. In order for the resulting flow of commodities to display instability or break down, there must be an alteration in the structure of exchanging units themselves. Of course, this alteration has little or nothing to do with the economic conditions of supply and demand, but rather with the dynamics of kinship, clanship, tribalism, neighborhood, and demography. Because reciprocative exchanges normally follow from an ascribed base (frequently kinship), it is probable that a peculiar stability and inflexibility governs these types of exchanges. Since the sources of their change lie in the modification of ascribed roles, moreover, change is likely to be gradual.

In the redistributive system of exchange, the potential sources of instability are institutionalized in the systems of stratification, or the allocation of rewards in society--whether these rewards ~~by~~ power, wealth, or prestige. For example, the distribution of fixed quantities of foodstuffs in the authors' Indian village was a function of caste position. The redistributive system of the Assyrian city-palace organization was linked closely to the distribution of political power and prestige in the communities (pp. 36-37). To choose a modern example, the institutionalization of transfer payments (progressive taxation, welfare measures, etc.) in the British case rested on a changing ideology regarding the rights of various classes. Finally, the flow of charity in modern civilization rests on institutionalized values concerning the relations between the haves and have-nots in a society with unequally distributed rewards. By investigating the nature and principles of these stratification systems in which redistributive systems of exchange are embedded, we may be able to read some regularity into this kind of economic exchange.

The stability or instability of the mobilizative type of exchange depends primarily on the fortunes of those pursuing the collective goals of society, such as wars, maintenance of the state, etc. The enclaves or ports of trade which the authors so ably analyze fed on a certain balance of power among empires which led all to prefer a politically neutral trading area (e.g., the Near East, pp. 54-55; Dahomey, pp. 174-175, 182). In modern times, the arranged trade and currency agreements of the Nazi and Soviet governments have stemmed from an interest in mobilizing resources for maximizing national power. Further, to analyze some of the arrangements for "bulk purchases" and "procurement of vital materials" would no doubt reveal the same interest in the polity and its perpetuation. Instabilities in this form of exchange, finally, are a function of the political status of the society in question. This exchange is not

+ the level of interdependence
our forms of integration are of an
operational character (not social
relations ~~of power~~ prestige etc — intervenes)

governed by the principles of the market, in short, but there are definite institutionalized structures--the political authority in its capacity to mobilize resources--through which we may develop generalizations concerning the short-term adjustments and long-term modifications of this type of exchange.

In connection with the market type of exchange, the burden of instability rests on the market itself. Price and the usual economic mechanisms presumably operate outside the concrete institutional nexus of stratification, political authority, or kinship. On the other hand, the institutionalized values of economic rationality govern the rules of behavior in such markets. Furthermore, the fluctuations and changes in market trade are analyzeable within the formal apparatus of economic theory.

We might add that these four types of exchange correspond to the four functional subsystems of society--as outlined by Parsons and his associates--in the following ways:

(1) Latent pattern-maintenance and tension-management. Every social system is governed by a value-system which specifies the nature of the system, its goals, and the means of attaining these goals. A social system's first functional exigency is to preserve the integrity of the value-system itself and to assure that individual actors conform to it. This involves socializing and educating system-members, as well as providing tension-control mechanisms to handle and resolve members' disturbances relative to the values. At the level of society as a whole, the social units which specialize primarily in this "latency" function are families, communities, religious and quasi-religious groupings, etc. The type of exchange among such units--as illustrated by the authors' and other examples--is reciprocative. economic!

(2) Goal-attainment. Given the value-system and its relatively stable institutionalization, the social system must establish certain relationships with the situation external to the system; that is, the system's activities must be directed toward a goal or set of goals. At the level of society as a whole, the social units which specialize in goal-attainment are, broadly speaking, political. The acquisition, control, and disposal of facilities in this political sphere follow the principles of mobilizative exchange--taxation, eminent domain, forced contracts, selective service, etc. e.g. ...

(3) Integration. Harmony of purpose and lack of conflict are not necessarily guaranteed in the specialized pursuit of goals. That function which deals with maintaining the interaction among individual units is integration. At the level of society as a whole, this involves the allocation of rewards and facilities in accordance with the integrative requirements of society. One of the kinds of social structure closely associated with this integrative function is the stratification of the rewards of wealth, power, and prestige. The kind of exchange associated with the integrative subsystem of society is redistribution.

(4) Adaptation. This subsystem involves the supply of facilities by which a variety of goals may be pursued at different times and in different situational contexts. Units specializing in these adaptive functions are economic units--firms, boards of directors, managers, etc.--in the classical sense. The kind of exchange associated with these specialized units is market exchange. 3

bankers ? — but why not
stores, temples, treasuries

To these sweeping associations, we should add many qualifications. In some societies, all exchange seems to be concentrated in a single type--most notably in the island peoples' reciprocal gift-giving among clans and tribes. In others, such as our own, all four types of exchange are apparent, though a single type--the market--predominates. In still others, such as the Soviet Union, all four types make their appearance, though the mobilizative, redistributive, and market elements are controlled partially under a vast political rubric. The appearance and rank-order of the various types of exchange, in short, are dependent on the value-system of the society in question, the level of differentiation of its social structure, and the complexity of the demands of its internal and external situation. Despite these qualifications, to link types of exchange with types of social structure on the one hand, and to link the types of social structure with types of functional requirements on the other, lead toward a more general basis for the comparative analysis of exchange systems.

i.e. forms of integration

To summarize, we may agree with the authors' belabored dictum that formal economic analysis has little value outside the market context. We may also accept their assertion that economic processes are instituted or embedded. Yet the authors seem to hesitate to go further than demonstrating these basic points. Perhaps they preferred not to generalize because they were so aware of the shortcomings of formal economic theory. Perhaps, on the other hand, their position as institutionalists and anthropologists led to this hesitation. In any case, they did not go far enough in exploiting the general implications of their own interesting case material. It seems to me that to identify typical kinds of exchange (as they did), to trace these exchanges to typical kinds of social structure (as they did only casually, and in one case erroneously), and finally to investigate the economic results stemming from the principles governing these several kinds of social structure (as they did not do), we may move a step closer to the development of a genuine comparative economics which meets the requirements of a comparative science more adequately than either traditional economics or radical institutionalism.

Confidential Dec. 3 '59.

Harry Pearson's Notes on the Smelser Piece

The following remarks represent my thoughts as reactions to the Smelser piece and more generally as the outgrowth of our discussions over the past year or so. It is a move in the direction of a general theory of the economy as it might look based strictly on the substantive definition and the familiar concepts we have learned from Karl Polanyi and employed for so long. Nothing new is claimed except perhaps the attempt systematically to introduce quantitativity. and finally to drop "services" as a ~~twin to~~ goods. For the most part it is simply an attempt to clarify the concepts we have been using in their relation to a general view of the economy. It is stimulated first, as I say, by the confusion apparent in the Smelser piece, and at the same time by an increasing regard for some of the Parsons-Smelser concepts which might be very helpful once the issue of definition is squarely faced.

The first point to be made clear is that our interest is the economy as an identifiable process in human society. Thus we are not interested first in economics, the discipline, not in economizing, not in an aspect of human behavior. Definition is thus of first importance.

The definition: The continuous supply of want satisfying x) material means, [or Terry's the supply of material means to satisfy role expectations] should be boldly reiterated. This does not mean "facilities" nor can it mean "utilities" however well accepted and relevant these terms may be in modern economics and the modern economy. The basic point to be made here is the obvious one. Neither facilities nor utilities adequately describes what it is that is supplied by the economic process except in a fully monetized, market ordered economy. Here only can all of the things supplied be identified as utilities because the common measuring rod of money identifies them as such and therefore as products of economic activity. It should be freely acknowledged that the substantive definition cannot fully describe what the money-market economy supplies. Here, of course, as Smelser

x) in demand, desired, welcome

insists, "expressive behavior, ideas, and even personalities have economic value." (177) But this is not weakness, but strength, for it serves to show clearly the enveloping character of such an economy; that it inevitably includes much that is not substantively economic. It may also be true in other types of economies that activities not inherently (by virtue of the substantive definition) economic have economic "value" --the services of the magician in the Trobriands, for example. But here again, it is the virtue of the definition that it first allows one to locate the economy and only then is one able to determine what other elements are associated with it (as e.g. economic institutions)

This definition does not, of course, deny "scarcity" in the sense of "an insufficiency of means" (Smelser, p175) which Smelser seems to think so important. The point is that scarcity so employed does not describe clearly and certainly not exhaustively the economic. Every society must somehow provide for the flow of material means. One may <u>say</u>, because of scarcity, but the fact of scarcity simply does not provide an adequate foundation for an understanding of the inherent characteristics of the economic process. (Needless to say this has been made abundantly clear in <u>Tr & M.</u>)

Having so identified what we are looking for, does the human requirement of material supply have any inherent characteristics which support general concepts? It does, and we may very well call these <u>parameters of the economic process.</u> We have so far said there are locational and appropriational movements. In somewhat more detail and viewed as parameters these might be so thus defined:

I. There is first the very <u>materiality</u> of the means (not their scarcity) which introduces a number of unique requirements into the situation: This involves human activity in some sense coming to terms with the natural characteristics of the means. They must be divided and combined in various ways in order to bring them nearer their desired quality. They must be moved about to bring them to their desired location. From these requirements of the situation are derived the following essential elements of the economic process: 1. Labor, which nothing other than the activity directly involved in dividing, combining and moving the material things. There is no problem of "services" here, for unless the activity is directly involved in acting on the material things, it is not economic. Nor does this element involve anything of the way in which labor is "appropriated", neither of the latent disposition to work in any specific society, nor of the specific institutionalization of rewards and punishments involved in securing the participation of "workers" in the economic process. These are problems of a different parameter of the process, namely continuity. This is ensured by a recurrence of situation that induce the acts.

2. The second element of the process at this level where materiality of the means is of prime importance is technology. By this, in the most general sense, I mean simply knowledge: including the quantities involved in operational descriptions Knowledge of how to divide, combine and move the material means.

3. A third element will be that which imparts order to the whole "locational" process. Here matters of sequence, rhythm, order to the man-man, nature process will be imparted by magicians, foreman, button pushers, etc. 4. The fourth element is that of quantitativity which we should expect to appear in however simple or complex form. That is, out of the process of men dividing, combining and moving things quantitative concepts of proportionality, weight, length, area, depth, etc. And to the extent that these develop into generalized concepts of proportions, weights and measures they introduce a certain technical or "engineering" rationality into the locational part of the economic process. Another kind of quantification inventories which might appear under this general category is an accounting system for stored goods. This would involve a system only for keeping track of the amounts and kinds of things stored, and should be distinguished from a standard of value which introduces a further element from the appropriational sphere. A standard of value, that is, quantifies the material things according to different criteria (social criteria) than those of the locational sphere proper.

It is thus clear that in this aspect of economic activity, it is not scarcity of means but their materiality which is distinctive and introduces certain constants into the economic ~~situation~~ process and the situations that induce the mvts of the things whether directly or otherwise.

II. The other parameters beginning with II. are derivative of the continuity ~~social~~ requirements ~~growing out~~ of the supply of material means. There is, for example, the functional requirement of continuity and some social mechanisms are required to insure it. Here again scarcity only obscures the issue. It is not, for example, that air is "free" and economic goods scarce that makes the difference, as economists are wont to say, but that breathing, etc. are the result of a natural and in that sense automatic process; whereas the continuous supply of most material things requires a combination of mvts [social organization (and not necessarily choices regarding the use of scarce things)]. Here I believe that we may find the Parsons-S scheme useful, especially their "pattern maintenance" and "integrative" subsystems. That is, one might say that the requirement of continuity involves two distinguishable elements: a) The continuity of economic activity may depend, first, on a general predisposition on the part of all relevant members of the society to participate in productive activity. This is a matter not of the specific mechanisms in terms of which productive services and goods are appropriated (the appropriational institutions proper) but of more diffuse values (in our society say, thrift, hard work, self-reliance, in the good old days, anyhow) which predispose us to accept the specific sanctions ~~of~~ imposed by the institutions which actually get us and things to move about. b) The second element here may be that of "integration", i.e., "maintaining interaction among" the different parts of the process interdependence. The entrepreneur is the model of this element in our economy, but I am simply not sure about other societies. To a large extend Kula and Potlatch "integrate" many diverse elements of Trobriand and Kwakiutl economies. I may here simply be fashioning a Procrustean bed of my own.

Incidentally, in the framework of this latter approach, it is here that the concepts of scarcity and surplus have their relevance. The point is that specific scarcities and surpluses may appear and have important effects. For a variety of reasons scarcities may develop: 1) droughts, etc. (natural causes) 2) exhaustion of soil, etc.

(Man-nature causes) 3) loss of technical knowledge and skills and 4) political, social and economic events or policies which interrupt or upset the institutional mechanisms of supply: And there might be the development of specific ways of dealing with these eventualities on any of the four levels of possible scarcity.

Surpluses may also appear or be made to appear for a variety of reasons: 1) natural windfalls 2) accretion of technological knowledge leading to productive increases 3) innovations 4) social, political, economic means of mobilizing already existing material means for special purposes. Again, as with scarcities, it is the specific surpluses and the institutions accompanying their use which is important.

III. The third constant or parameter of the economic situation derives from the fact that inevitably, in the process of material things moving toward their ultimate consumption the things must be acquired and disposed of. And since no society can be indifferent to the relationships among its individuals in regard to valued material things, there will always exist some generally understood sanctions which specify rights and obligations between individuals in regard to things. These, in other words, are the specific sanctions in terms of which goods and productive services actually move between "hands". This is, of course, the appropriational sphere proper. The forms of integration, reciprocity, redistribution and exchange all apply to this sphere for behind all there are clearly defined or implied rights and obligations between persons in regard to things. In a sense this is the political pshere of economic life, for it is here we find the "constitution" of economic interests which determines who gets what, when, how and where. For this reason it may be compared with Parsons' "goal attainment" sub-system. That is, it is by defining "property" rights, not in the sense of the right to hold, but of the right to expect and in return the obligation upon which others' expectations are based, that the collective economic goals of the society are in fact attained.

As with parameter I., the locational sphere, the appropriational sphere of the economy has its quantitative side. Just as working with and moving material things leads inevitably to some measures of weight, length, etc., so the appropriational problems (I recognize that they do not always appear as "problems") of who gets what, etc. might be expected to lead quantitative evaluations of different things in relation to persons. Thus the problems of rationing, taxing, staple finance (as distinguished from mere accounting) as well as trade and exchange present problems which require some quantitative reckoning. Here is the monetary sphere proper, and all questions of the situations in which money uses appear, their effects and their correlation with different forms of integration arise at this point.

IV. A fourth parameter of the economic process might be the consumption sphere. This should probably be included in the economic process rather that to regard goods, once they move to consumption as disengaged from the economy. Because of the important feed-back of the consumption sphere to the economy proper in terms both of energy of the producers (here we might have the proper place for such as the Harris piece on thermo-dynamics) and the effect of styles of consumption on the economy it should be regarded as a part of the whole.

The following remarks represent my thoughts as reactions to the Smelser piece and more generally as the outgrowth of our discussions over the past year or so. It is a move in the direction of a general theory of the economy as it might look based strictly on the substantive definition and the familiar concepts we have learned from Karl Polanyi and employed for so long. Nothing new is claimed except perhaps the attempt systematically to introduce ~~quantitativity~~ quantitivity. For the most part it is simply an attempt to clarify the concepts we have been using in their relation to a general view of the economy. It is stimulated first, as I say, by the ~~terrible~~ confusion apparent in the Smelser piece, and at the same time by an increasing regard for some of the Parsons-Smelser concepts which might be very helpful once the issue of definition is squarely faced ~~and~~ thereby making those concepts specific to the economy.

The first point to be made clear is that our interest is the economy as an identifiable process in human society. Thus we are not interested first in economics, the discipline~~d~~, not in economizing, not in an aspect of human behavior. Definition is thus of first importance.

the institutional process is the "ec. subsystem"

The definition: The continuous supply of want satisfying material means, [or Terry's the supply of material means to satisfy role expectations] should be boldly reiterated. This does not mean "facilities" nor can it mean "utilities" however well accepted and relevant these terms may be in modern economics and the modern economy. The basic point to be made here is the obvious one. Neither facilities nor utilities adequately describes what it is that is supplied by the economic process except in

Sociological def: subsystem Institutional approach
Gen. econ., no 2: materiality of things.

a fully monetarized, market ordered economy. Here only can all of the things supplied be identified as utilities because the common measuring rod of money identifies them as such and therefore as products of economic activity. It should be freely acknowledged that the substantive definition cannot fully describe what the money-market economy supplies. Here, of course, as Smelser insists, "expressive behavior, ideas, and even personalities have economic value." (177) But this is not weakness, but strength, for it serves to show clearly the enveloping character of such an economy; that it inevitably includes much that is not substantively economic. It may also be true in other types of economies that activities not inherently (by virtue of the substantive definition) economic have economic "value" --the services of the magician in the Trobriands, for example. But here again, it is the virtue of the definition that it first allows one to locate the economy and only then is one able to determine what other elements are associated with it. such as [illegible]

This definition does not, of course, deny "scarcity" in the sense of "an insufficiency of means" (Smelser, p175) which Smelser seems to think so important. The point is that scarcity so employed does not describe clearly and, certainly not exhaustively the economic. Every society must somehow provide for the flow of material means. One may say, because of scarcity, but the fact of scarcity simply does not provide an adequate foundation for an understanding of the inherent characteristics of he economic process. (Needless to say this has been made abundantly clear in Tr &M.)

insuff[illegible]

Having so thus identified what we are looking for, does the human requirement of continuous material ~~xxpxxyxxintxxxxxxxxanyxxhave~~ supply have any inherent characteristics which support general concepts? It does, and we may very well call these parameters of the economic process. We have so far said there are locational and appropriational movements. In somewhat more detail and viewed as param- ~~xxxetxxx~~ eters these might be so defined:

I. There is first the very <u>materiality</u> of the means (not their scarcity) which introduces a number of unique requirements into the situation: This involves human activity in some sense coming to terms with the natural characteristics of the means. They must be divided and combined in various ways in order to bring them nearer their desired quality. They must be moved about to bring them ~~xxxxxxxxtheir~~ to their desired location. From these requirements of the situation are derived the following essential elements of the economic process: 1. <u>Labor</u>, which is nothing other than the activity directly involved in dividing, combining and moving the material things. There is no problem of "services" here, for unless the activity is directly involved in ~~with~~ acting on the material things, it is not economic. Nor does this element involve anything of the way in which labor is "appropriated", neither of the latent disposition to work in any specific society, not of the specific institutionalization of rewards and punishments involved in securing the participation of "workers" in the economic process. These are problems of a different parameter of the process.

the moving of..

Who, what, how?

1. The moving of the mat. things in the locational sphere proper. +

who / what / how? / how much / when / where

2. The second element of the process at this level where materiality of the means is of prime importance is technology. By this, in the most general sense, I mean simply knowledge: Knowledge of how to divide, combine and move the material means. 3. A third element will be that which imparts order to the whole ~~xxxxxxx~~ "locational" process. Here matters of sequence, ~~xyth~~ rhythm, order to the man-man, nature process will be imparted by magicians, foreman, button pushers, etc. 4. The fourth element is that of quantitativity which we should expect to appear in however simple or complex form. That is, out of the process of men dividing, combining and moving things quantitative concepts of proportionality, weight, length, area, depth, etc. And to the extent that these develop into generalized concepts of proportions, weights and measures they introduce a certain technical or "engineering" rationality into the locational part of the economic process. Another kind of ~~quantifying~~ quantification which might appear under this general category is an accounting system for stored goods. This would involve a system only for keeping track of the amounts and kinds of things stored, and should be distinguished from a standard of value which introduces a further element from the appropriational sphere. A standard of value, that is, ~~xxxxxxx~~ quantifies the material things according to different criteria (social criteria) than those of ~~of~~ the locational sphere proper.

what?

who?

how much?

Localise.

where?

inventory

It is thus clear that in this aspect of economic activity, it is not scarcity of means but their materiality which is distinctive and introduces quantitative certain constants into the economic situation.

moving → who, what, how, how much, when, where?

II. The other parameters beginning with II. are derivative of ? social requirements growing out of the supply of material means. There is, ~~for example,~~ the functional requirement of continuity and some social mechanisms are required to insure it. Here again scarcity only obscures the issue. It is not, for example, that air is "free" and economic goods scarce that makes the difference, as economists are wont to say, but that breathing, etc. are the result of a natural and in that sense automatic process; whereas the continuous supply of most material things requires social organization (and not necessarily choices regarding the use of scarce things). Here I believe that we may find the Parsons-S scheme useful, especially their "pattern maintenance" and "integrative" subsystems. That is, one might say that the requirement of continuity involves two distinguishable elements: a) The continuity of economic activity may depend, first, on a general predisposition on the part of all relevant members of the society to participate in productive activity. This is a matter not of the specific mechanisms in terms of which productive services and goods are appropriated (the appropriational institutions proper) but of more diffuse values (in our society say, thrift, hard work, self-reliance, in the good old days, anyhow) which predispose us to accept the specific sanctions ~~of~~ imposed by the institutions which actually get us and things to move about.

econ inst create situations which react upon the situations creat continuing,

b) The second element here may be that of "integration", i.e., "maintaining interaction among " the different parts of the process. The entrepreneur is the model of this element in our economy, but I am simply not sure about other societies. To a large extent Kula and Potlatch "integrate" many diverse elements of Trobriand and Kwakiutl economies. I may here simply be fashioning a Procrustean bed of my own.

Incidentally, in the framework of this approach, it is here that the qualitative concepts of scarcity and surplus have their relevance. The point is that specific scarcities and surpluses may appear and have important effects. For a variety of reasons scarcities may develop: 1) droughts, etc.(natural causes) 2) exhaustion of soil, etc. (man-nature causes 3) loss of technical knowledge and skills and 4) political, social and economic events or policies which interrupt or upset the institutional mechanisms of supply; And there might be the development of specific ways of dealing with these eventualities on any of the four levels of possible scarcity.

Surpluses may also appear or be made to appear for a variety of reasons: 1) natural windfalls 2) accretion of technological knowledge leading to productive increases 3) innovations 4) social, political, economic means of mobilizing already existing material means for special purposes. Again, as with scarcities, it is the specific surpluses and the institutions accompanying their use which is important. This is qualitative acting on the institutions themselves.

III. The third constant or parameter of the economic situation derives from the fact that inevitably, in the process of material things moving toward their ultimate consumption the things must change hands, ~~be acquired and disposed of~~. And since no society can be indifferent to the relationships among its individuals in regard to valued material things, there will always exist some generally understood sanctions which specify rights and obligations between individuals in regard to things. These, in other words, are the specific sanctions in terms of which goods and productive services actually move between "hands". This is, of course, the appropriational sphere proper. The forms of integration, reciprocity, redistribution and exchange all apply to this sphere for behind all there are clearly defined or implied rights and obligations between persons in regard to things. In a sense this is the political sphere of economic life, for it is here we find the "constitution" of economic interests which determines who gets what, when, how and where. For this reason it may be compared with Parsons' "goal attainment" sub-system. That is, it is by defining "property" rights, not in the sense of the right to hold, but of the right to expect and in return the obligation upon which others' expectations are based, that the collective economic goals of the society are in fact attained.

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Continuous, supply of ~~material things~~ material [illegible] ~~either~~ implies parameters of quantitative defined treatment to appropriational moto [illegible]

[illegible]

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