Early Economies

EARLY ECONOMIES

by

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PART I

Underdevelopment and Non-market Economies

The economics of underdevelopment is giving rise to problems at varying levels of abstraction. Outstanding among these, so it would seem, is the question of the theoretical handling of economies that possess no market system. Efforts in this field have been hitherto limited to contemporary peoples. Yet non-market societies comprise alongside of the backward peoples of Asia, Africa and the Americas, the civilised empires of antiquity, which had no secondary industries, nor a market system. To fail to understand how the economy operated in such areas, whether poor or rich, contemporary or long past. Clearly, no theory of economies possessing no market system can ignore the record of the great civilisations of Babylonia or ancient Egypt.

Two sources of organised knowledge about economies are available, economics proper and fragments of other social sciences that concern pre-modern livelihood, like the economic "sub-disciplines" of history, anthropology[1]. The economies themselves may be

[1] and even more recently, sociology

broadly contrasted as "advanced" and "backward", specifiable[2] as modern market economies and pre-industrial non-market economies, respectively.

Our interest is here solely in these latter. It fits in well with this, that the contemporary backward countries have hitherto proved accessible to economic analysis almost exclusively at the fringes where the trade and markets of the advanced countries reached them. In the interior, alien socio-economic structures of the underdeveloped countries seemed to obstruct any sort of rational analysis, for lack of an institutional frame of reference similar to the market system.

All the more, it may have come as a surprise that hitherto neither have those economic "sub-disciplines" which specialise in non-market institutions reached any notable accuracy in describing these backward economies nor did attempts in this field attain to any insights even comparable to our understanding of the market economy, which is indeed remarkably great.

Market organised livelihood forms a whole through a system of market prices. Production is carried on for gain made on price differentials on costing goods such as the use of land and labor and raw materials which have markets of their own, similarly to food and other consumer's goods. Trade is a two-way movement of goods oriented on prices, and money a means of facilitating such a movement. Since prices are formed in markets, trade is market trade and money a means of exchange. Clearly, trade and money can be regarded as functions of the market, and a self-regulating system

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[2] here

of price-making markets may result in a continuous flow of goods. The economist's question is only, how precisely does it all work?

As to non-market economies, the position is entirely different. For ancient Babylonia or the West African Negro empires we possess no institutional frame of reference to hold onto, such as a system of price-making markets. Hence, there is lack of clarity about what we wish to know or even what lines comparison should follow whether with a market economy or with an industrial non-market economy. Economic culture traits that functionally resemble trade, money or prices certainly occur, in backward and archaic type economies but there is no simple underlying pattern to explain the movements of the things. Yet there is continuous supply of material goods, that is, of an economy.

Essentially this is also the burden of the complaint of the economist, when blaming low productivity in backward countries on those alien socio-cultural values that here impede the application of "rational" principles of behavior. Indeed, the absence of market institutions could be identified with that tendency towards "irrationalism" which stultified the economist's endeavors at comprehension.

The dispersal of economic information among the various sciences tending on the economy should have in all reason suggested a linking up of those enclaves of knowledge to form a new whole of an empirical orientation. Again, the authority vested in economic analysis discouraged such attempts. The prevailing climate of opinion set a premium on common-sense maxims clothed in academic garb, as a substitute for empirical research and critical analysis.

Faced with the choice between an advantageous and a less advantageous course, most men tend to choose the former, would be a typical pronouncement of conventional wisdom which was deemed sufficient to posit the axiom of "gainfulness" as a universal principle of human behavior. Once introduced, that axiom would serve to justify the ambiguous terms of supply and demand wherever things were available (supply) and might be employed as means to a a purpose (demand). On such spurious grounds the human world was transformed into a potential market system with trade and money as its logical corrollaries. For empirical enquiry there was now neither room nor a necessity. Price-making markets would be seen though none were present wherever trade and money occurred, and economic analysis would take over, leaving those economic sub-disciplines where they were. At times these economistic influences flooded not only the sub-disciplines but the disciplines themselves. Anthropology was affected by the scarcity or allocational definition with its wake of a utilitarian psychology and a one-sided exchange definition of money; even general sociology developed an ingenious scheme of input-output analysis comprising the totality of society; and with our economic historians the myth of an invisible market pattern came to overlie the economic life of the ancient Near East.

Apart from the market frame of reference that was habitually foisted upon non-market societies, there was moreover that fragmentation of knowledge about non-market economies, the relevant facts being diffused in the different social science subdisciplines. "The place of the economy in society" would mean to the anthropologist its place in the cultural spectrum; to the sociologist, its place as a sub-system in a structured society; to the historian, the place on a time scale of the events, economists are concerned with. Differences of semantic coloring would thus tend to produce a puzzle of non-fitting items. Leading scholars in vain strained to revers this trend towards departmentalization. The historian of antiquity, Eduard Meyer, the economic historians Henry S. Maine, Carl Buecher, Otto Hintze, Max Weber and Marc Bloch, the sociologists Durkheim and Mauss, the anthropologist Richard Thurnwald, attempted an integration of the <u>disjecta membra</u> of what might be tentatively called non-market economics. E. Laum's explicit attempt at a general history of the economy encompassing primitive and archaic periods was abortive, not least for lack of a frame of reference that would take in both market and non-market economies.

This uncertainty about the concept of the economy harks back, we submit, to the founding of the neo-classical school of economics and its somewhat confusing influence on thestudy of the place of the place of the economy in society.

PART II

<u>The Posthumous Carl Menger</u>

Neo-classical economics was established on Carl Menger's premise that its appropriate concern was the allocation of insufficient means to provide for man's livelihood. This was the first statement of the postulate of scarcity, or maximization. As a succinct formulation of the logic of rational action with reference to the economy, it ranks high among the achievements of the human mind.

Its importance was enhanced by a superb relevance to the actual operation of market institutions which, due to their maximising effects in day-to-day operations, were by their very nature amenable to such an approach.

As Menger explained, however, in a posthumous edition of his work, published in 1923, the economy has two "basic directions", only one of which was the economizing direction stemming from the insufficiency of means, while the other was the "techno-economic"[1] direction as he called it, deriving from the requirements of production regardless of the sufficiency or insufficiency of the means. For rationally production is called for if consumable goods are absent, while the factors are available.

In a section of Chapter IV entitled "The Two Basic Direction of the Human Economy", he wrote:

> I call these two directions that the human economy can take – the technical and the economising – basic (German: elementar); though these appear as a rule, indeed, almost always linked with each other, they nevertheless spring from causes that are essentially different and independent from one another, and in some branches of the economy actually make their appearance alone ...The technical direction of the human economy is neither necessarily dependent upon the economising one, nor is it necessarily linked with it.[2]

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[1] Modern readers might mistake Menger's "technical" or "techno-economic" for "technological". The latter, as Menger was the first to recognize, was in its intent altogether different from the economy. The economy is limited to providing for the means of want satisfaction, whether by economizing or by production. Technology as such is a sphere of activity not necessarily aimed at any purpose of this kind, but may include scientific or military purposes or be enjoyed for its own sake always, according to Menger.

Menger was admittedly faced by a semantic difficulty. He tells us that for the phrase "economizing direction" he found no German word corresponding precisely to the adjective 'economizing', and so he used the closest available term '<u>sparend</u>', specifying its meaning in brackets unmistakably as "ökonomisierend". He then added a special section on the phenomena that emerge from the conjunction of the 'techno-economic' and the economizing directions of the human economy ("which almost always go together.")

Because of the brilliant and formidable achievements of price theory opened up by Menger, the new "economizing" or formal meaning of economic became <u>the</u> meaning, and that more traditional but seemingly pedestrian meaning of "materiality", which was not necessarily scarcity-bound, lost academic status and was eventually forgotten. Neo-classical economics was founded on the new meaning, while at the same time the old, material or substantive meaning faded from consciousness and lost its identity for economic thought.[3]

Later, Menger wished to supplement his 'Principles', of 1871, so as not to appear to ignore the primitive, archaic or other

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[3]The formal and the substantive meanings of 'economic' as previously developed by the author contrasted 'economizing' with 'material'. This latter meaning is common to all the 'subdisciplines' of the social sciences grouped above, as economic. In speaking of the economic process, we are referring therefore to the sub stantive meaning of 'economic'. In brief, the institutional approach to the economy implies the substantive meaning of 'economic' which thus becomes a stepping-stone towards the definition of the economy as given here. (See Trade & Market in the Early Empires, Chapter XIII).

early societies which were beginning to be studied by the social sciences. Cultural anthropology revealed a variety of non-gainful motivations which induced man to take part in production; sociology refuted the myth of an all-pervading utilitarian bias; ancient history showed cases of high cultures of great wealth that had no market systems. Menger himself seems to have held that economising attitudes are restricted to utilitarian value scales in a sense which we should regard to-day as setting an undue limitation on the logic of the ends-means relationship. This may have been one of the reasons why he hesitated to embark on theorising about other than "advanced" countries where such value scales can be assumed. Menger was now anxious economy (Verkehrswirtschaft). The posthumous edition abounds in references to the distinction between exchange or market economy for which the 'Principles' were designed, on the one hand, non-market or backward economies, on the other. Menger uses several words to designate these "backward" economies: zurückgeblieben, unzivilisiert, unentwickelt.

Only quite recently has attention turned again towards the economy of these backward or under-developed countries. Menger's discussion of economic development has however been forgotten. The posthumous edition where the distinction between the two directions of the economy was made, has never been translated into English. No presentation of neo-classical economics - including Lionel Robbins' (1935) - deals with the "two directions". The London School of Economics edition of the 'Principles' in its rare book series (1933) chose the first edition (1871). Hayek, in a preface to this "replica" edition helped to remove the posthumous Menger from the consciousness of economists by passing over the manuscript as "fragmentary and disordered"./ "For the present, at any rate," Professor Hayek concluded, "the results of the work of Menger's later years must be regarded as lost." Some seventeen years later, when the 'Principles', with F.H. Knight's preface, were translated into English (1950), the first edition - half the size of the second - was once more selected. Moreover, the translation rendered throughout the book the term "wirtschaftend" (literally: engaged in economic activity) by "economising". Yet, according to Menger, himself 'economising' was the equivalent not of "wirtschaftend", but of "sparend", a term he had expressly introduced in the posthumous edition in order to distinguish the allocation of the insufficient means from another direction of the economy which does not necessarily imply insufficiency.

Menger was content to broaden the concept of economic activity by stressing its two direction. He made no attempt to develop a particular set of terms for 'backward' economies, which he had been first to distinguish categorically from 'advanced' ones; nor was this tried later by other social scientists. For the purposes of such a task, involving as it does a comparison of market and pre-industrial non-market economies, a less formal and more substantive approach to the economy may be needed. Such a general concept of the economy as a part of society may eventually be found to lie closer to the classical than to the neo-classical school of economic thought. It postulates the economy as a process of continuous material supply channelled through economic *and* non-economic institutions. The process consists of the movements of things, the movements being induced by persons acting in definite situations as institutions are called economic insofar as they create such situations. This as a subsystem contains, I believe, *in nuce* the elements of the economy in society and describes its working.

The process and its institutional integument form a complex whole, the economy. Empirically, things and persons are inseparably linked though analytically they are separate. The economy consists of the process and the economic sinstitutions that form its integument. This economic character of institutions is therefore a matter of degree in two regards: first, as to how typicallythe institution contributes to the situation, and secondly, how directly the situation contributes to the movements that make up the process. Non-economic institutions, less directly affecting the process are political or religious. These exert an influence on the economic - only exceptionally - either accidentally or peripherally - for instance by creating untypical situations as when a church dignitary who happens to be a successful author claims royalties on a best seller. As a rule non-economic institutions are effective only by entering into a situation that is typically created by an economic institution; the dignity may help boost the sales of an authorised work; or by helping or hampering an economic institution as such, e.g., the book market; the dignitary may favor or frown upon censorship of literary publications - thus touching upon activities in the book market.

problem of the non-market economy must start from the analytical distinction of market and non-market economies. The next step must be a further distinction between different kinds of non-market economies.

In Part I the market economy has served as a paradigm of an economy the theory of which is grounded on the presence of a dominant institution in the economy, the market system. Our first question then is, whether the patent distinction between market and non-market economy can not serve as a key to the theoretical handling of economies in general.

Indeed, the possibility may not have been sufficiently considered, that under the surface other basic patterns might operate, similarly to exchange but different from exchange, and not yet explored. In other economies one of two basic patterns, reciprocity and redistribution, prevails or a combination of the two.

In an exchange economy then, things are moving under a self-regulating system of price-making markets.

Reciprocity, as a form of integration, implies that things are moving between two or more symmetrically placed persons or groups.

Redistribution, as a form of integration, postulates centricity, that is, things are directly or indirectly allocated from a center (on a small scale the ubiquitous peasant household belongs here.)

A system of price-making markets, symmetry and centricity are structural requirements of the three basic patterns, respectively. These patterns are not exclusive in a particular economy, rather they tend to co-exist with other patterns, one more prominent than the others. These three patterns are not mutually exclusive and are not, therefore, per se classificatory terms in regard to economies as a whole. However, definite sectors - branches or levels - of the economy may be ascribed to one or another of the patterns, which can then serve as a frame of reference in regard to that sector. Foreign and domestic trade, for instance, may differ as to pattern. In ancient Israel or in Dahomey, reciprocity prevailed on the village level, redistribution on the national level. Long distance trade, for instance, ran between the rulers of the ancient empires usually as gift-trade, i.e., on reciprocative lines, while domestically the objects exported as well as those imported were first collected and then distributed through the channels of a central administration. Similarly, single isolated markets are frequently found interspersed with non-market forms of integration.

These patterns of movements have been found significant in producing a degree of unity and stability in the process, i.e., a certain measure of interdependence and recurrence of the parts. The patterns have therefore an integrative function. Hence their designation here as "patterns of integration."

Our definition of the economy as instituted process offers a clue of how to proceed. It allows the reduction of the economy to a complex of <u>things</u> in movement and of <u>persons</u> in definite situations. The economic process is then, to be conceived as movements of things, while the institutional integument consists of "persons" causing the movements to happen. The movement of things can be described operationally, the situations themselves can be determined sociologically, in either case avoiding valuational or motivational terms which may be biased by dint of their associations with the familiar context of the market.

The actual economy, Menger argued, consisted of _things_ that are moving in the process of production and exchange, and of _persons_ responsible for putting them in motion, whether their activity be caused by the insufficiency of the means (economizing direction) or by the requirements of production irrespective of any such insufficiency (techno-economic direction.) Neither goods without persons, nor persons without goods make an economy. Persons cannot be economically active in the absence of things to which their activities relate; nor do things constitute an economy in the absence of persons who are acting in regard to them. Menger took his "order of goods" -- their distance from consumption - for granted. He could do so, since his definition of the economy was based on the notion of provision for material want satisfaction, hence the concept of materiality entered both into the process of production and exchange, and the situations responsible for the movements of things.

The success of the procedure outlined here cannot for two reasons be taken for granted. It may not be possible to strip a particular economic culture trait of its associations with the market context in which it is familiar to us. Also, we may look in vain for an institution with identical - or nearly so - functions under another pattern of integration. Finally, even a successful translation from one semantic sequence to another ensures no more than a formally correct procedure, not necessarily also an advance in substantive knowledge. For the points thus clarified may have been merely system-difficulties, arising out of the procedure followed, not out of genuine problems originally set and accepted as such. Yet unless we deal with recognized problems that are of interest in their own right, no true advance in knowledge can be claimed.

PART IV

MONEY USES

To define money in general terms, we will start from the familiar objects commonly so called. Les fungibles were circumscribed as res quae numero, pondere ac mensura consistunt, that is, things referred to by number, weight and measure. Such objects be they shells, coins, volumes of barley, or banknotes, are here called money as long as they are employed in any one of the three uses described below.

Payment is the handing over of fungibles in a situation of obligation, with the effect of wiping out that obligation. Money is a standard when used as a quantitative tag, a figure attached to units of different kinds as a device of "adding up apples and pears". Employ as a standard is particularly relevant to situations of barter, and of accountancy in k ind, in staple finance. Finally, there is the exchange use of fungibles, that is, the acquiring of them in order to acquire through a further act of exchange still other objects. The fungibles employed in the middle link of the indirect exchange function as money.

As pointed out, our definitions of payment, standard and exchange contain no motivations restricted to a market context. General situational and operational items alone enter into the definitions. A person finding himself under an obligation, can be so described in purely sociological terms, and so can his riddance from that obligation. The same holds good for persons involved in situations requiring an "adding up of apples and pears", one of these situations being that of barter; another, the accounting for different staples on a large scale.

The origins of money - to take up this popular problem first - were sought for in vain, as long as distinctions between the different money uses were ignored.

Payment has been shown to stem from three-wide-spread aboriginal institutions; wooing, bloodmoney and fines. These situations create obligations that are terminated through the handing over of fungibles. Fines may well have been among the earliest cases of payment, since punishment is what settles the transgressor's guilt - guilt and punishment being the archetypes of the correlation of obligation and payment. For if the punishment is quantifiable by counting, as see lashes of the whip, or giving of sheep, it is payment. The standard use of money assures the prior existence of the institution of equivalents. This is widely different from the traditionally held view. It was believed that "standards of value" as the phrase ran, could not have but sprung from rates established through the practice of bartering, or, eventually, marketing. Without the market habit, no standard use of money could develop. This opinion, as Richard Thurnwald the anthropologist has shown, was ill founded. Nor does more recent knowledge about the economic history of antiquity lend support to it. Babylonia, where the use of silver as a standard is well attested, did not use silver as a means of exchange, nor did it possess a market [8] system of any account. Standard rates in regard to staples were of statutory origin, underpinned by custom, frequently supplemented by proclamation. Rates of metals, which were exclusively of foreign provenance, were announced at the city gates, where trade transactions were regularly recorded. Damages, composition, fines and similar payments implied rates from the earliest times in regard to some staples. This practice, together with taxation, storage and central accountancy exerted a steady standardizing influence. Not exchange but administration was the creator of money as a standard.

Barter is facilitated by the statutory and customary equivalents that underlie standards. In bartering either side may offer various objects, the sum of which is to be equalized with the sum of the objects offered by the other side, maybe with an equalizing payment (Akkadian: <u>niplatum</u>) to be made by the side whose offer is lagging. Staple finance is of course the large scale handling of staples for purposes of planning, budgeting, balancing and control. This would be altogether impossible without an "adding up of apples and pears."

In archaic society taxation is the mainspring of the equivalents, that underlie standards. Where several crops are involved, tithing and taxation in kind is hardly practicable in the absence of such a standard. Collecting of taxes demands some elasticity in regard to the produce in which the tax can be alternatively defrayed. Assessment is therefore in units of the standard (for instance by a grain of silver per acre) while payment is permitted in any of the various staples at the rate of equivalence. This relieves the taxpayer from the obligation of paying in a produce of which he may be short, while from the angle of the treasury revenue paid in various kind tends to even out over the territory of the country. If wages in kind, or rations are due in definite proportions, the the claimant's right to choose between them at will, presupposes equivalencies.

All this has a bearing on the use of money as a means of exchange, to which we shall briefly turn. That such is universally the prime use of money, ranks among the most pervasive fallacies in modern economic thinking. Presumed a self-evident truth, it stood engraved on the entrance to the dismal science, it was eventually extended by anthropologists even to pre-literate society. "In any economic system, however primitive, an articel can be regarded only as true money," Professor Raymond <u>Firth</u>

wrote in the Encyclopaedia Britannica, XIVth edition, "when it acts as a definite and common medium of exchange, as a convenient stepping stone in obtaining one type of goods for another." (Art. "Currency, primitive.") This narrow concept of money traditionally created an erroneous picture of the nature of the various money uses and thus raised an almost insuperable obstacle to the analysing of the working of non-market economies.

PART V

PRICE AND EQUIVALENTS*

A biased concept of money must prove an obstacle in the comparative treatment of an other economic culture trait closely linked with money, namely, price. The axiom according to which money is primarily a means of exchange made a generalization of the phenomen of price all but impossible. Fir it hid from view an institution which was the key to the large scale non-market economies of antiquity, almost as much as market prices are the key to market economies, namely, equivalencies. Again it would appear natural to modern scholars to interpret such set figures as rates of exchange, which they were not. In effect, the usual translation of set rates for

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*Equivalents have been touched upon above (p.) under money as a standard.

for standardized staples as the usual translation 'prices' was fatefully misleading in regard to the vital institution of equivalencies.

In a market economy, admittedly, the function of money lies primarily in the creating of prices. Such prices fluctuate and thereby gear single isolated markets into forming a self-regulating system of interconnected markets. Money as a means of exchange and price-making markets taken together have the effect of quantifying the economic process. Efficiency as a by-product of costing hinges on prices that allow a computation of the best way of producing goods under given conditions. Rationality of the economic process thus automatically results from the fluctuation of the prices which accompanies the working of the market mechanism. Hence we associate money as a means of exchange with fluctuating prices, and "prices" with fluctuation.

This semantic content of money and price barred us from grasping the true function of equivalencies. An unchanging quantitative relation attaching to staples took on for us automatically the connotation of a "set" price, implying that its changelessness was due to a freezing of a price which before that was fluid.

The concept of price, then, might in comparative economics be conveniently replaced by the term 'equivalency', which is neither restricted to market rates, nor does it imply fluctuation. While all prices are then equivalents, not all equivalents are prices. Also equivalents were not primarily intended to express rates of exchange, but rather rates of substitution - a very different matter.

Equivalencies in Oriental antiquity reveal a distinct alternativity of intent. They may indicate how much of one kind may be given _in lieu_ of goods of another kind (substitutive equivalency); but the purpose may also be to point out a rate of exchange between different foods (exchange equivalency). The two meanings of "for" in English (French: pour; German: für; Hungarian: -ért) show such an ambiguity to be fairly widespread. The situations to which the two meanings apply differ sharply. In exchange two actors are involved and the rate expresses the point at which the _vice versa_ movement is expected to occur. With substitution one party alone is active to whom the equivalency allows a choice between several goods, be he the payer or the recipient.

The rationale of exchange equivalencies may be less obvious. Why fix prices? Why not allow the partners gainfully to barter at the rate on which they can agree, both sides thus attaining the maximum advantage? However, empirically, as it appears, there is great reluctance with primitive peoples to barter freely the necessaries of life. If exchange of food for food, or other necessaries like wool, oil, or firewood takes place, it is invariably at set equivalencies. It is as though within the community an unwritten law forbade the making of gain on the exchange of the necessaries of life. Pristine constrictedness of life largely springs from the almost obsessive avoidance of gainful transactions. The moral advantages of such an attitude in terms of tribal solidarity is bought at the price of foregoing the freedom of exchange which is a min source of a productive combining of goods. Exchange equivalencies remove the notion of gain as inherent in exchange. The momentous institution of gainless exchange has made its appearance. But for which the standard of mutual assistance in an emergency would not be practicable. An overlooked passage in Aristotle's Politics states with precision the criteria of a compulsion exchange of equivalents in an emergency. The text which is a masterpiece of juristic elaboration deserves to be cited in full: "Some barbarian peoples still practice exchange in kind, for with such people each is expected to give the necessaries of life in exchange for other necessaries of life, for example wine for corn, as much as is necessary in the circumstances, but no more (plean de outhen) giving the thing in kind and receiving the other thing in kind and so with all things of this category. The practice of barter in this manner is not, therefore, contrary to nature, nor is it a branch of the art of wealth-getting, for it was instituted merely for the restoring of man's self-sufficiency." (1257a, 24-31) The wording repays analysis.

Aristotle's emphasis is on the restoring of self-sufficiency, which is right, as against wealth-getting, which is wrong. The former assumes equivalence in exchange and is "according to nature", the other implies gain on exchange, and hence is "contrary to nature". The barbarian practice which he commends amounts to mutual assistance in an emergency, a situation not quite exceptional in subsistence economies. The inclemence of nature may reduce a farmer to want in regard to one or another of the necessaries, like grain or oil. Asked to help out, the neighbour must give him as much of the produce wanted as is necessary but not more, against the equivalent in kind (all staple necessaries of life to be handled in this manner.) Reciprocity rules, for at another time the roles may be reverse, he himself taking the initiative, being exigent. Charity does not enter intothe picture. There is here no giving without a counterpart, nor getting something for nothing. For, should nothing be available to offer in exchange, the needy neighbour himself or his family would have to submit to working off the debt (the term of bondage according to Hammurabi Code Art. 117 was of three years.) The part played by equivalencies is vital and that at two points: But for those set equivalencies, the emergency situation was bound to turn into a sort of bargaining, between parties, one of which was acting under a moral pressure, the other in physical distress. Without some indication of how much of the necessary in question was deemed "necessary", a contention between the parties will be almost bound to arise, for which there was no room in an emergency. In brief, where the amount of the counterpart as to quantity and quality is indeterminate, a moral obligation to mutual aid cannot readily operate.

Two different changes in regard to equivalencies should, then, be assumed to have taken place in antiquity: a change from substitutive equivalents to exchange equivalents, followed by a change from equivalencies to market prices, thus running the gamut from a rigid permanency over a growing elasticity to fluctuating prices. While the shift from substitutive to exchange equivalencies was referable to the roles of taxation and set-price markets, the development to fluctuating prices, reflected the increasing importance of markets in the organization of trade.

Aristotle gives no hint where to look for his barbarians, also we do not know for certain, to what extent in his time Hammurabi's Code was a live force with the common man in the East. Deuteronomy still showed a reminiscence of Article 117 of the Code Hammurabi which gauged the price of a slave as equivalent to three years of service by limiting the period of bondage to that term: "And if thy brother, a Hebrew man or a Hebrew woman be sold unto thee, and serve thee six years; then in the seventh year thou shalt let him go free from thee. And when thou sendest him out free from thee, thou shalt not let him go away empty: Thou shalt furnish him liberally....It shall not seem hard unto thee when thou sendest him away free from thee; for he had been worth a double hired servant to thee, in serving thee six years: and the Lord God shall bless thee in all that thou doest." (Deuteronomy 5, 12-18).

The Old and the New Testament show many signs of the Babylonian institutions of equivalencies and rations, combining to give precision to Aristotle's "necessaries" which would answer both the question of what kinds of goods, and how much of them would fall under the regulations that concern mutual aid in emergencies as well as rations. As to what are the necessaries, the Old Testament says: "Thou shalt not harden thy heart nor shut thine hand from thy poor brother. But thou shalt open thy hand wide unto him and shalt surely lend him sufficient for his need in that which he wanteth" (Deut.15, 7-8).

The Old Testament contains only few equivalents, if any. To the man who lacks oil, oil shall be given by his neighbour, not its equivalent in other goods which he is not wanting in. As to the amount the words "need" and "sufficiency" are here meant to convey 'limitation to the requirements of the actual physical situation.

The institution of rations has this in common with taxation that both definite amounts of the "necessaries" which are mutually substitutable. Admittedly, the Greek version of the Lord's Prayer's "daily bread" is obscure. The text contains a repetition in its insistence on the "daily bread to-day." No satisfactory explanation of the epiousion of the Greek text has been given. It is hapax legomenon, and the Aramaic original is lost. Much can be said for its signifying daily ration, an institution unknown to the Greeks, who had to coin a special term to suit it. The Dead Sea Scrolls, more recently, appear to mulct members of the Essene community offending against monasterial rules by depriving them of their rations for a period. In the Lord's Prayer the ration may have expressed a double limitation to "neither more nor less." It is impossible to overlook in this context the high ethical implications of the Old Testament concordance: "Two things have I required of thee; deny me them not before I die: Remove far from me vanity and lies; give me neither poverty nor riches; feed me with food convenient for me: Lest I be full, and deny thee, and say, Who is the Lord? or lest I be poor, and steal, and take the name of my God in vain." (Prov. 30, 7-9)

The institution of equivalencies is also operationally adapted to a judicial system that lacks executive organs where set equivalencies obtain the amounts of compensation for damages are definite. Where, as in Greece, such figures are absent, damages must be adjudicated by the courts. Hence Aristotle's concern with justice, which settles law cases by setting right the balance that has been upset. Scales of compensation contained in the revised Hittite Code were mirrored for set prices, though there is no reference to market transactions.

In primitive society compulsory trade is sometimes practiced. A canoe laden with food bypassing a coastal village may be forced to offer its wares for exchange. Again, this is predicated on exchange equivalents, at which the transaction is performed, as for instance with the Manus of the Great Admiralty Islands.

As late as 1795, a lean year, compulsory trading was practiced in the South of England bread-carrying wagons on their way to London were stopped by villagers and compelled to sell to the housewives. Though money passed, the rioters were severely punished. But there was no charge of robbery, since the statutory price was paid, which functioned as an exchange equivalent.

AN INSTITUTIONAL APPROACH TO NON-MARKET ECONOMIES

The insistent effor~~t~~t at establishing an economics of underdeveloped countries is giving rise to problems ~~of~~ on varying levels of abstraction. Outstanding among them, so it appears to me, is the question of the theoretical penetration of the economy in pre-industrial societies that possess no market system. Over the numerous (anonymous less civilized and) poorer countries of the present, we should not forget ~~a number of~~ the highly civilized and wealthy empires of the past which ~~equally~~ similarly possessed neither ~~an~~ industr~~y~~ies nor a market system. ~~And the point to be particularly to remember, is that~~ A further point of analogy is our ~~we equally understand next to nothing~~ almost complete lack of understanding of the manner in which the economic process ~~was related to society~~ operated in these pre-industrial non-market areas, whether big or small, rich or poor.

The purpose of this paper is to attempt an institutional approach to ~~the field of~~ socio-~~cultural~~ economic causation in non-market economies.

The argument starts from the ~~many~~ different limitations of economics proper and of the ~~[illegible]~~ "subdisciplines" of anthropology, sociology and history in dealing with non-market economies. (Sec. I)

Difficulties arising for ~~the~~ those "subdisciplines" out of the concept of the economy are traced back to the founding of the neo-classical school of economics. (Sec. II)

~~A~~ Eventually, a definition of the economy is proposed nearer to the classics, which allows us to employ institutional terms for comparative purposes, with some precision. (Sec. III)

Results attained are adduced to illustrate the use made of the conceptual tools here advanced. Examples are culled from the history of the ancient Near East, and the 18th century Negro Kingdom of Dahomey, a comparable economy some three thousand years later. (Sec. IV-VI)

I.

ECONOMICS AND ~~ECONOMIC~~ the SUB-DISCIPLINES

We will distinguish between two fields of organized inquiry into livelihood: economics proper which deals with the market systems and the subdisciplines of the social sciences - anthropology, sociology, history - which study non-market economies. The first field we will call economics, while those disjointed fragments of knowledge concerning the earlier organization of livelihood we will designate jointly as economic subdisciplines. Economics and the "subdisciplines" refer, then, by definition to two different kinds of economies, which are commonly contrasted as "advanced" and "backward", specifiable as market economies and non-market economies, respectively.

Approached from this angle, the potency of economics should be, in fairness, judged in relation to its proper market field, and apart from its secondary capabilities in regard to primitive or archaic economies, whether in the contemporary or in the ancient world. It fits in well with all this, that backward countries have proved accessible to economic theory only at the fringes where trade and market of advanced countries reached them; outside of the range of the market system, theory lacked the frame of reference to which its concepts were adjusted.

All the more, it may have come as a surprise that neither have those "subdisciplines" which specialize in non-market institutions reached accuracy in describing the backward countries, nor did attempts ~~xt~~ in this field attain to ~~any~~ substantial insights even faintly comparable to our understanding of the market economy.

Market organized livelihood forms into a conceptual whole through a system of market prices. Single features of the economy such as manufacturing, trade and money therefore readily interlink. Manufacturing is carried on for gain made on price differentials, land, labor and raw materials having markets of their own, similarly to food and other consumer's goods. Trade is a two way movement of goods through the market, directed by prices, and money a means of facilitating such a movement. Since prices are formed in markets, trade is market trade and money is essentially exchange money. Both trade and money should then be regarded as functions of the market. A self-regulating system of price-making markets can ~~therefore~~ in principle result in ~~xx~~ a continuous supply of goods and services. The economist's question is only, in what way precisely does it all work.

As to non-market economies in contrast, ~~we~~ possess no institutional frame of reference such as price making markets to hold on to. There is no agreement about what exactly we wish to know, nor on what lines comparison with market economies should proceed. Features resembling trade or money certainly occur, but there is no underlying pattern such as that of the market system to explain the movements of the things and the direction of the efforts. Yet there is a continuous supply of material goods, i.e., an economy.

Largely this was the burden of the customary complaint of the economist, when blaming his lack of grasp of the economy in backward countries on the alien socio-cultural structures that impeded the application of "rational" principles of behavior. There seemed to be nothing to take the place of the market mechanism. Actually, the absence of market institutions was synonymous with that bent towards "irrationalism" which stultified the economist's endeavors. What has not been sufficiently considered is the possibility that under the surface, other interlinking patterns might operate, different from exchange and still unexplored. In the present paper this avenue will be followed up, and some results given.

While owing to the absence of market institutions to guide him, the economist was thus prevented from penetrating the socio-cultural tangle in backward societies, the social scientists on their part, though experts in cultural settings that discount "rational motives", also failed to unravel the course of the economic process, since no underlying pattern of the economy appeared available to serve as a referent.

The dispersal of economic information among the various social sciences would have suggested a linking up of those enclaves of knowledge. But the status gained by economic analysis in this general field discouraged such attempts. Economics ~~with its~~ with its full-fledged intellectual armour tended to monopolize conceptual initiative in primitive economics, economic history and economic sociology alike. The prevailing climate of opinion set a premium on common-sense maxims clothed in academic gowns, which were often employed as a substituted for empirical research and critical analysis. For example, "Faced with the choice between an advantageous and a less advantageous course, most men tend to choose the former" is a typical pronouncement of the conventional wisdom that was deemed sufficient to introduce the axiom of gainfulness as a universal principle of human behavior. Once accepted, the axiom would serve to justify the reception of the ambiguous terms of supply and demand wherever things are available (supply) that can be employed as means to a purpose (demand). Unwittingly, the human world would be transformed into a potential market system with trade and money as logical corollaries. For empirical study there was neither necessity nor room left. Eventually, price-making markets would be seen ~~through~~ though none were present, wherever trade and money occurred, and economics proper could step in and take over, leaving the subdisciplines where they were. At times economistic influences flooded even the main sciences themselves. Anthropology was affected by the allocational definition in the early 40's, carrying in its wake a utilitarian psychology and a one-sided exchange definition of money; recently sociology developed a rationalistic bent culminating in an ingenious scheme of extending economic theory to the totality of society; with economic historians of antiquity the myth of an invisible market pattern has come to overlie the economic life of the ancient Near East, hindering the acceptance of a less commercial and more realistic interpretation of the economic facts of the Oriental empires. Even this is not all. Apart from the extraneous market frame of reference pressed upon non-market societies, there was the fragmentation of knowledge about non-market economies owing to the facts being domiciled in different sciences. "The place of the economy in society" would mean to the anthropologist, its place in the cultural spectrum; to the sociologist, its place as a subsystem in a structured society; to the historian, its place on a time scale of several dimensions. Differences of semantic coloring would produce a jig-saw puzzle of non-fitting items. Leading scholars strained in vain to reverse the trend towards departmentalization. The historian of antiquity, Eduard Meyer, (1932), the economic historians, Henry S. Maine, Carl Buecher, Otto Hintze, (1929), Max Weber, (1893) Marc Bloch, (1931) (~~1882-1889~~), the sociologists, Durkheim and Mauss, (1923), the anthropologist Richard Thurnwald, (1936), advocated an integration of the <u>disjecta membra</u> of what ~~we have~~ might be tentatively called non-market economics. Eduard Meyer and Max Weber launched out on this task, but found no followers. Less ambitious attempts to reconstruct the mechanism of primitive and archaic economic institutions were abandoned, not the least owing to the lack of a unifying frame of reference.

This uncertainty about the concept of the economy harks back, we submit, to the founding of the neo-classical school of economics, with its confusing influence on the study of non-market economies.

II.

THE POSTHUMOUS CARL MENGER

Neo-classical economics was established on Carl Menger's premiss that its appropriate concern was the allocation of insufficient means to provide for man's livelihood. This was the first statement of the postulate of scarcity, or maximization. As a succinct formulation of the logic of rational action with reference to the economy, it ranks high among the achievements of the human mind.

Its importance was enhanced by a superb relevance to the actual operation of market institutions which, due to their maximizing effects in day-to-day operations, are by nature amenable to such an approach.

As Menger explained, however, in a posthumous edition of his work, published in 1923 the economy has two "basic directions", only one of which was the economizing direction stemming from the insufficiency of means, while the other was the techno-economic direction, deriving from the requirements of production regardless of the sufficiency or insufficiency of the means. Production is rationally indicated, if consumable goods are altogether absent, ~~as long as~~ while the factors are available.

In a section of Chapter IV entitled "The Two Basic Directions of the Human Economy", Menger writes:

> "I call these two directions that the human economy can take - the technical and the economizing - basic (German: elementar); though these appear as a rule, indeed, almost always linked with each other, they nevertheless spring from causes that are essentially different and independent from one another, and in some branches of the economy actually make their appearance alone... The technical direction of the human economy is neither necessarily dependent upon the economizing one, nor is it necessarily linked with it."*

It is worth noting that Menger was faced by a semantic difficulty. He tells us that for the phrase "economizing direction" he found no German word corresponding precisely to the adjective 'economizing', and so he used the closest available term 'sparend', specifying its meaning in brackets as 'ökonomisierend'. He then added a special section on the phenomena that emerge from the conjunction of the

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* Italics in the original, translation mine.

technical and the economizing directions of the human economy.*

Because of the brilliant and formidable achievements of price theory opened up by Menger, the new "economizing" meaning of economic became <u>the</u> meaning, and the traditional but seemingly pedestrian meaning of 'material things', which was not scarcity-bound, lost academic status and was eventually forgotten. Neo-classical economics was founded on the new meaning, while at the same time, the old material or substantive meaning faded from consciousness and lost its identity for economic thought.

Later, Menger wished to supplement his 'Principles' of 1871 so as not to appear to ignore the primitive, archaic and other early societies which were being studied by the new social sciences. Cultural anthropology revealed a variety of non-gainful motivations which induced man to take part in production; sociology refuted the myth of a pervading utilitarian bias; ancient history showed cases of high cultures lacking a market system.** Menger was now anxious to limit the application of his 'Principles' to the modern exchange economy. The posthumous edition abounds in references to the exchange or market economy for which the 'Principles' were designed, on the one hand, and ~~as well as to~~ the non-market or backward economies on the other.***

Only quite recently has attention turned again towards the economy of the underdeveloped and backward countries. Menger's discussion of economic development had however been forgotten. The posthumous edition where the distinction between the

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* Modern readers might mistake Menger's "technical" or "techno-economic" for "technological". The latter as Menger was the first to recognize, was in its purpose altogether different from the economy. The economy is limited to providing for the means of want satisfaction, whether by economizing or by production. Technology as such is a sphere of activity not necessarily aimed at any purpose of this kind, but may include scientific, military purposes or be enjoyed for its own sake.

** Menger himself seems to have held that economizing attitudes involve utilitarian value scales in a sense which we should regard to-day as an undue limitation of the logic of the ends-means relationship. This may have been one of the reasons why he hesitated to embark on any theory other than that of "advanced" countries where such value scales could be assumed.

*** Menger uses several words to designate these "backward" economies: zurückgeblieben, unzivilisiert, unentwickelt.

two directions of the economy is made, was never translated into English. No presentation of neo-classical economics - including Lionel Robbins' (1935) - deals with the "two directions". The London School of Economics edition of the 'Principles' in its rare book series (1933) chose the first edition. Hayek, in a preface to this "replica" edition helped to remove the posthumous Menger from the consciousness of economists by passing over the manuscript as "fragmentary and disordered". "For the present, at any rate," Professor Hayek concluded, "the results of the work of Menger's later years must be regarded as lost." Some twenty years later, when the 'Principles', with F.H. Knight's preface, were translated into English (1950), the first edition - half the size of the second - was once more selected. Moreover, the translation rendered throughout the book the term "wirtschaftend" (literally: engaged in economic activity) by "economizing". Yet, according to Menger, this was the equivalent not of "wirtschaftend", but of "sparend", which he had expressly introduced in the posthumous edition in order to distinguish the allocation of the insufficient means from another direction of the economy which does not necessarily imply insufficiency.

Menger himself was content to universalize the concept of the economy by stressing its two directions, and made no attempt to develop a particular set of terms for the 'backward' economies which he had been the first to distinguish categorically from the 'advanced' ones; nor was this tried later by social scientists. For such a task, ~~comprising~~ involving a comparison of market and pre-industrial non-market economies, a broader approach to the economy may be needed,

III.

Such a concept of the economy may be found to lie nearer to the classical than to the neo-classical school of economic thought. The economy may then be described as a process of continuous material supply which is channeled through institutions. The definition conveys that the movements of the want-satisfying things which constitute the process can be traced to the institutions in which that process is embedded; this again implying that the movements are caused by persons acting in situations which typically result from those institutions.

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This picture of the economy contains in nuce what we need to know about economies in general, when in search of a frame of reference suitable for an inquiry into non-market economies:

1) Under this definition the economy forms a subsystem in society the relations of which to other subsystems as well as to the totality of society are observable.

2) The economic subsystem is a complex of process and institutions; the process consists of movements of things, economic institutions are the referents to the situations that directly control those movements.

3) The body of the economy accordingly is made up of the movements and the institutions that typically create the situations which directly control the movements. These are the economic institutions. They are inseparable from the process; together they form the economy (other institutions, only indirectly affecting the process are political, religious or otherwise non-economic institutions.)

4) Non-economic institutions may exert their influence on the economic process exceptionally - either accidentally or peripherally - by creating situations that are untypical, as when a church dignitary claims royalties on a best seller. Otherwise such institutions exert an influence only by entering into a situation typically created by an economic institution - the dignitary may help to boost the sales of an authorized work or by exerting an influence on the latter institution ~~itself~~, e.g., the book market itself - the dignitary may ~~independ~~ favor censorship of literary publications - thus enhancing or reducing its effectiveness.

5) The boundaries of the subsystem are, in the nature of things, elastic since the economic character of the institutions is a matter of the degree of immediacy with which they affect the process.

Patterns of integration

Comparison must start in this case with the distinguishing of market economies from non-market economies.

Market economies are as we have seen, readily identifiable by the dominance of a self-regulating system of price-making markets; non-market economies are of a

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baffling socio-cultural variety. However, basically they have been found to be instituted in two general patterns: reciprocity and redistribution, or a combination of the two. This raises - together with market exchange - the number of general patterns to three. Under a market system things are moving at the most favorable rate within a self-regulating system of price-making markets, an exchange pattern unique to our times. Reciprocity implies things that are moving between two or more symmetrically placed persons or groups. Redistribution postulates centrality, that is, things are directly or indirectly allocated from a center (on a small scale the ubiquitous peasant household belongs here). Symmetry, centrality and a system of price-making markets are structural requirements of our three general patterns, respectively.

These patterns are not mutually exclusive in a particular economy, rather they tend to coexist with one more prominent than the others. Not even dominance of the market pattern excluded the reciprocity of gift-giving at Christmas, nor the growing redistributive activities of the various governments on different levels. Long distance trade, again, between the empires of antiquity regularly ran between the rulers as gift trade, on reciprocative lines, while domestically the things exported and those imported were collected and redistributed through the channels of a central administration. Also isolated markets were frequently found interspersed in dominant non-market forms of integration.

Nevertheless, there is something distinctive about these three patterns of movements and the institutions that channel them. A process embedded in such g general institutional pattern would gain a unity and stability not otherwise attainable by it, i.e., displaying a measure of interdependence between the parts and a certain recurrence of sequences. It is in this sense that the underlying institutions which channel the process can be said to have an integrative function, producing an economy, as a unit. Hence their designation as "patterns of integration."

While it is emphatically impossible to classify economies <u>as a whole</u> according to patterns of integration, these not being mutually exclusive, economies can, be accurately described in regard to specific sections or levels, in terms related to such patterns.

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In regard to these parts, the patterns may apply separately, and introduce disjunctive criteria which can serve as a frame of reference in regard to that area. This is essentially similar to such specific cases as that of the market system in regard to modern exchange economy; reciprocity in regard to the Trobrianders or redistribution in regard to Pharaonic Egypt. As between coexistent patterns however, dominance should be conceded to the one which integrates food, land and labor with the rest. All three are so integrated by the market, under a market system.

For our essay the three patterns have a particular employ. In a sense they provide the <u>tertium comparationis</u> on which comparison hinges.

A comprehensive study of economies must aim at a comparison of analogous features of the economy under different patterns of integration. To this end our study must aim at the formulating of terms capable of describing the institutionally channeled process and of permitting such a comparison. The comparison is to be attempted between such familiar features of a market system as e.g., money, trade, price or cpaital and broadly similar features of non-market economies.

Those features have then first to be described in a clearly identifiable fashion, yet divested of the qualities which reflect the context ~~fxrsx~~ from which they were taken, namely, that of the market system.

Several steps then, are required: to identify the item in its familiar particular context; to redefine it then, in general terms; to compare this model with its assumed analogue in the alien context, and, finally, to determine the institutional setting in the latter context which accounts for the situations that explains the movements.

The crux of the matter is the redefining of the feature in general terms, that is retaining no trait that might ~~xxx~~ restrict its suitability to a definite context such as the market system.

Our "two level" definition of the economy - process and institution - may offer a clue of how to proceed. In effect, it allows the reduction of the 'economic' feature

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to items of movement in the process and an accompanying item in a situational setting. The former represents a locational or appropriational movement of things, the latter persons in a situation. The movement can then be circumscribed operationally, the situation sociologically, thus avoiding 'economic', i.e., potentially market biased terms. Such a reduction of an "economic" feature to situational operational terms, rests in the last resort on the institutional approach. It appears to have been successfully attempted in some instances, and possible in others.

Admittedly, the success of such a prodedure cannot be taken for granted. It may prove impossible to isolate in general terms our particular feature from the market system of exchange of which it is a function. Even if successfully isolated it may prove vain to look for a functionally analogous feature in a non-market economy.

Needless to say, the transforming of ~~xxxxx~~ terms as here suggested, from one semantic sequence into another, however consistently perofrmed, ensures no more than a formal correctness, without any gain in substantive knowledge. The points clarified may be no more than system-difficulties arising out of the procedure applied, not recognized problems previously listed under this heading. Yet unless light is thrown on matters of such primary interest, no advance in knowledge can truly be claimed.

IV.

MONEY USES

To begin with money as it is commonly understood under our market system, we will re-define that feature in general terms and apply it to corresponding items under a redistributive pattern.

The operational definition of money denotes all kinds of quantifiable units or fungibles, as money as long as they are employed in any of the uses listed below. Res fungibiles were circumscribed in Roman Law terms as quae numero, pondere ac mensura consistunt. The "uses" themselves are determined in a neutral manner which assumes neither the familiar market derived concept of money nor other market biased terms, but

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only sociologically interpreted situations and operationally described actions.

In a manner similar to money, it is eventually hoped to produce general models of trade, price and capital in the context of different patterns of integration, and perhaps to show the traits common to the different features under one and the same pattern of integration.

Money is then defined as a fungible employed in any one of the following uses: for payment, as a standard or in exchange. Whether the fungibles such as shells, grain, copper bars, coins or banknotes are regarded as a token or not is irrelevant. Payment occurs in a situation of obligation, and a handing over of fungibles has the effect of wiping out the obligation. Money used as a "standard" is a quantitative tag attached to units of things of different kinds as a means of "adding up apples and pears". This is particularly relevant to situations of barter and of accountancy. Finally, there is the exchange use offungibles, that is, acquiring them in order to acquire other objects through a further act of exchange. The fungibles employed in indirect exchange thereby gain the character of money.

Questions of prior standing on which insights might be attained in this way include the origins of money, the economic significance of money objects, particularly of precious metals, internal and external money, money as a symbolic system like language or writing, its relations to treasure, finance, hoarding, accountancy and the growth of monetization.

, Payment appears to stem from three, wide-spread aboroginal institutions: wooing, blood-money and fines. These create the situations in which obligations were terminated through the handing over of quantifiable units. In effect, this seems to be the earliest money use, since in regard to weregilt and fines the obligation is not 'economic' but rather religious in character. Punishment is what settles the transgressors guilt; if it is subject to counting, as lashes of the whip or giving sheep, it is payment.

The origins of the standard use of money appear to be widely different from the traditionally held explanation. It was believed that standards of "value" as the phrase ran, could ~~not~~ have but sprung from prior rates originally established through bartering or eventually, in markets. Without the market habit, then, no standard use of money could have possibly developed. This opinion as Richard Thurnwald, the anthropologist has shown, was ill-founded. Nor do recent views on the economic history of antiquity lend support to this position. Babylonia, where the use of silver as a standard (but not for payment) some four thousand years ago is well attested, had no market system of any account. Standard rates were of statutory origin, probably backed by custom and in some cases, supplemented by proclamation Rates of metals, which were exclusively of foreign provenance, seem to have been regularly ~~xxxxxxxt~~ announced at the city gates, where trade transactions were recorded. ~~Fines,~~

Damages, composition and similar payments involved the statuating of rates, from the earliest times. This together with the pervasive factor of accountancy, exerted a powerful standardizing influence. Not exchange, but administration was the creator of money as a standard.

Operationally, the standard use of money arises from situations which require the "adding up of apples and pears". In bartering, either side may offer various objects the sum of which is to be equalized with the sum of other objects offered (maybe with a small equalizing payment:- Akkadian: niplatum - to be made by ~~the~~ one side. Staple finance is the large scale handling of staples - stored or still uncollected - for purposes of planning, budgeting, balancing, and control. This, too, requires a standard.

Taxation in kind is impracticable in the absence of a standard where several crops are involved. For quite apart from the needs of accountancy, the handling of taxes in kind demands elasticity in order to be rational, as well as for the protection of the taxpayer. For the taxpayer the obligation of paying in a produce he may be short of amounts to a grave hardship, while for the treasury the totals of the various staples tend to even out over the territory of the country. Assessment and tax may be therefore expressed in a standard unit (e.g., a grain of silver per acre) while payment is permitted at the debtor's choice in any staple of the standard rate.

All this has particular relevance to the appraisal of money as a means of exchange and markets as the institutional locus of exchange. That money is primarily a means of exchange ranks among the most powerful axiomatic presumptions in the field of modern economic thought. The axiom was believed to encompass the whole history of civilization and was even extended by anthropologists to fully primitive society. "In any economic system, however, ~~xxx~~ primitive, an article can be regarded only as ~~true~~ true money", Professor R. Firth declares "when it acts as a definite and common medium of exchange, as a convenient stepping stone in obtaining one type of goods for another". (Art. "Currency, primitive" in Encycl. Brit. 14th ed.) Such a sweeping prouncement by an authority unless critically counteracted, would leave no room at all for the descriptive facts as collected by anthropologists and economic historians; create an erroneous picture of the emergence of the various money-uses; and distort the connection between the development of institutions and the paths of economic growth.

V.

PRICE - TRADE - CAPITAL

The spread of - prices - figures representing the rate at which goods of different kind change hands is accepted as another visible indication of "advance" in the economy. However, a term should be employed for 'price' which lacks the association of fluctuation characteristic of market rates in price-making markets, ~~that accompanies market rates~~. As a convenient generalization, the term 'equivalent' offers. Equivalents then are rates meant to be unchanging until they are re-set, usually in the same manner in which they were originally statuated, proclaimed or otherwise instituted.

A study of equivalencies in Oriental antiquity has revealed an unexpected duality of intent: substitution versus exchange. It appears that the substituting of one kind of staple for another in payment precedes the use of equivalents as setting a rate of exchange. The two meanings of "for" (French: pour; German: fur; Hungarian: ert) would show that the two uses are fairly widespread with some indication of substitution being the earlier of the two. This may of course merely denote that administrative methods of a central economic government, preceded on the whole, the market method of exchange.

Two different changes in the field of equivalencies should then be assumed to have taken place in antiquity: A change from substitutive to exchange equivalencies; followed by a change from equivalencies to fluctuating prices, running the gamut from permanent rigidity, over an increasing degree of elasticity, to market made prices. While the two kinds of equivalencies - substitutive and exchange - are referable to their taxation and set-price markets - the development from unchanging to changing, and indeed, to fluctuating prices, must have largely reflected changes in the character of t rade, particularly in the role of markets in the organization of trade.

Long-distance Trade, like money is a feature in the economic field as old as man's organized existence. If for no other reason than the almost universal custom of exogamy, which causes wooing and marriage to bridge over long distances accompanied by goods, bothways.

Our final example, external trade, like money, seems to be in one form or another, as old. Yet again, modern foreign trade is primarily a two-way movement of goods, determined by prices, while under primitive conditions it is much akin to raid, expedition, booty or other ways of one-sided acquiring of goods from a distance with the difference of being fairly peaceful, almost as an afterthought. These latter differentials are of course quite often due to gifts being carried the other way which certainly made for peace and regularity of dealings. In this case, the use of the term external trade is put to an almost intolerable strain. Take mutuality out of external trade and you have lost its raison d'etre. But the ambiguous figures of Homer's traders and the Viking raiders, and three thousand years later perhaps even the British warships off Tientein, and the American navy off Yokahama weakens the weight of the argument. Nevertheless, we justly speak of trade. The device employed here is to draw attention to the shift in the criteria of external trade from the center to the periphery (or vie-versa), yer maintaining the term on the strength of the process characteristic of early trade, namely, acquisition of goods from a distance, while the institutional embeddedness has not inconsiderably changed.

Expressed in money as a means of exchange, capital presents itself as a sum of money. For exchange is a source of profit if it occurs as between things marked by a price differential. Under other patterns of institutionalization, the accumulation of wealth happens through the collecting and storing of staples at the center or the hoarding of treasure. While staples accrue through deliveries of staples whether as tax or tribute, treasure is hoarded from the circulation of elite circulation, a function of status and prestige.

V. PRICE

The usual approach to money as a means of exchange, so natural to our days made a realistic comparison between the important culture trait "price" in different pre-industrial societies all but impossible.

It hid from view an institution which was the key to the understanding of the large scale non-market economies of antiquity, almost as much as market prices are fundamental to the theory of market economies. We mean the institution of equivalencies, in the narrow sense of that term (akkadian : mahīrum).

In market-organized economies the function of money lies primarily in the creating of prices. These prices fluctuate and gear markets into a self-regulating system. Money as a means of exchange, price-making markets and fluctuating prices have the combined effect of quantifying and thereby rationalizing the economic process. Efficiency, fostered by costing, hinges on prices allowing an exact comparison of the ways of producing goods under given conditions. The automatic rationality of the economic process is thus the outcome of the fluctuating prices that accompany the play of the market mechanism. Hence the necessary association of money as a menas of exchange with fluctuating prices and of prices with fluctuation. The way to the understanding of equivalencies is thus barred. For any unchanging quantitative relation between the economic importance of staples must take on the connotation of a "set"price, implying that the unchanging character of the rate is due to something that has been done to the price. This something being the freezing of it. The concept of an inherently unchanging price appears then almost as a contradiction in ~~xtx~~ terms. Similarly, any quantitative rate must represent a rate of exchange, since exchange situations now falsely appear as the only quantitative ones relevant to the economy.

This amounted to ignoring two main characteristics of equivalencies: first, that these were not prices which unless frozen would otherwise fluctuate, rather they were born as unchanging rates which, in principle, would change only in the same way in which they were established; secondly, that these equivalents were not necessarily intended to express rates of exchange, but rather rates of substitution, a very different matter.

For comparative purposes, as a general term~~s~~ equivalency which lacks the association of fluctuation should be employed for "price". Unless qualified so as to mean market price it designates permanent rates. If changed, they are re-set, usually in the manner in which they were originally statuated, proclaimed or otherwise instituted.

A study of equivalencies in Oriental antiquity has revealed an unexpected alternativity of their intent. Equivalents may serve to indicate how much of one kind of staple may be given <u>in lieu</u> of another (substitutive equivalency); or the intent may be to set a rate of exchange (exchange equivalency). The two meanings of "for" (French: pour; German: fur; Hungarian: -ert) would show that ambiguity of intent also may have been fairly widespread. The substitutive equivalency is apparently the earlier of the two. This may, of course, merely denote that the administrative methods of a central economic government preceded on the whole market methods of exchange.

The importance of equivalencies in the frame of the redistributive pattern can hardly be exaggerated. Substitutive equivalencies are here a means of rational accountancy, but they also serve as a safeguard of freedom of choice in defraying taxes, as well as in choosing between definite amounts of ration goods as under a "point system" of rationing. The employment of equivalencies in exchange has an all-round liberalizing effect. Similarly to tribal communities where gainful transactions do not occur, they are also frowned upon in archaic society particularly in regard to the necessities of life. What strikes us as the economic and personal constrictedness of primitive condition springs from an obsessive avoidance of gainful transactions. The moral and interpersonal advantages of such an attitude are paid for by ~~xmf~~ forgoing the mutually useful combination of goods that result from freedon of exchanges. Equivalencies may step in at this juncture as an act of liberation of immense consequences for the economy. It widens not only the economic possibilities but also the range of personal

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Original

AN INSTITUTIONAL APPROACH TO EARLY NON-MARKET ECONOMIES

by Karl Polanyi

The economics of underdevelopment is giving rise to problems at varying levels of abstraction. Outstanding among these, so it appears to me, is the question of the theoretical handling of early economies that possess no market systems. Such efforts must be condemned to failure as long as investigation, as usually happens, is arbitrarily limited to contemporary peoples. Yet non-market societies comprise alongside of the backward peoples of Asia, Africa and the Americas, most of the highly civilized empires of antiquity, which also had no secondary industries, nor a market system. And indeed there is the same lack of understanding of the manner in which the economy operated in all pre-industrial non-market areas, whether big or small, poor or rich, contemporary or long past. Over the Trobrianders we must not forget Sumer and Ptolemaic Egypt. No serious theory of non-market economies can ignore the record of the wealthy civilizations of ancient history.

Two fields of organized knowledge into man's livelihood are on record, economics proper and those fragments of knowledge that concern pre-modern types of livelihood. These we will designate as the "sub-disciplines" of the respective social sciences - anthropology and history. The corresponding economies can be contrasted as "advanced" and "backward", specifiable as market economies and pre-industrial non-market economies.

comic economic

Our interest is here naturally solely in the latter. It fits in well with this, that these backward countries have hitherto proved accessible to theoretical treatment almost exclusively at the fringes where trade and markets of advanced countries reached them. Beyond that range, in the interior alien socio-economic structures of the underdeveloped countries seemed to obstruct rational analysis for lack of an institutional frame of reference.

All the more, it may have come as a surprise that neither have those "sub-disciplines" which specialize in non-market institutions reached any notable accuracy in describing ~~those~~ the backward countries, nor did attempts in this field attain to any insights even comparable to our understanding of the market economy, which is indeed remarkable.

Market organized livelihood forms a conceptual whole through a system of market prices. ~~Single culture traits of the economy such as manufacturing, trade and money readily interlink.~~ ~~Manufacturing~~ Production is carried on for gain made on price differentials on costing goods such as land, labor and raw materials which have markets of their own, similarly to food and other consumer's goods. Trade is a two-way movement of goods through the market, directed by prices, and money a means of facilitating such a movement. Since prices are formed in markets, trade is market trade and money is essentially exchange money. Both trade and money can then be regarded as functions of the market, and a self-regulating system of price-making markets may clearly result in a continuous supply of goods. The economist's question is only, how does it all work?

As to non-market economies, the position is completely different. For ancient Babylonia or the West African Negro empires we possess no institutional frame of reference to hold on to, such as price-making markets. Hence, there is no agreement about what exactly we wish to know about the place of the economy in society, ~~what culture traits are expected to interlock~~, nor what lines a parallel with market economies should follow. Culture ~~traits~~ complexes resembling trade or money ~~certainly~~ occur, but there is no underlying pattern such as that of the market system to explain the movements of the things. Yet there is a continuous supply of material goods, that is, an economy.

This was largely the burden of the complaint of the economist, when blaming his lack of ~~theoretical~~ penetration of the economy in backward countries on those alien socio-cultural values ~~and motivations~~ that impede the application of "rational" principles of behavior. In effect ~~Actually~~, the absence of market institutions was to him identical with that tendency towards "irrationalism" which stultified his ~~the economist's~~ endeavors at comprehension.

In terms of empirical research the dispersal of economic information among the social sciences should have suggested a linking up of those enclaves of knowledge to form a whole. But again the status gained by economic analysis in this general field of study discouraged such attempts. Economics in its full-fledged intellectual armour tended to monopolize initiative in primitive ecánomics, economic history and economic sociology alike. The prevailing climate of opinion set a premium on common-sense maxims clothed in academic gowns, which were then substituted for empirical research and critical analysis. Faced with the choice between an advantageous and a less advantageous course, most men tend to choose the former, was a typical pronouncement of conventional wisdom and was deemed sufficient to posit the axiom of gainfulness as a universal principle of human behavior. Once introduced, such an axiom would serve to justify the reception of the ambiguous terms of supply and demand wherever things were available (supply) that could be employed as means to a purpose (demand). Unwittingly, the human world would thus be transformed into a potential market system with trade and money as logical corollaries. For empirical enquiry there was now neither necessity, nor was room left for it. Eventually, price-making markets would be seen though none were present wherever trade and money occurred, and economics proper would take over, leaving the specific sub-disciplines where they were. At times such economistic influences flooded not only the economic sub-disciplines, but the main sciences themselves. Anthropology itself was affected by the allocational definition with its wake of a utilitarian psychology and a one-sided exchange definition of money; more recently sociology developed a rationalistic tendency culminating in an ingenious scheme of extending economic theory to the totality of society; with economic historians of antiquity the myth of an invisible market pattern has come to overlie the economic life of the Near East, hindering the acceptance of a less commercial and more realistic interpretation of the facts about the economies of the Oriental empires. Even this is not all. Apart from the extraneous market frame of reference, that was here forced upon non-market societies, there was that fragmentation of knowledge about non-market economies, the relevant facts being domiciled in the different social sciences. Hence, "The place of the economy in society" would mean to the anthropologist, its place in the cultural spectrum; to the sociologist, its place as a subsystem in a structured society; to the historian, its place on a time scale. Differences of semantic coloring would in this way tend to produce a puzzle of non-fitting items. Leading scholars in vain strained to reverse the trend towards departmentalization. The historian of antiquity, Eduard Meyer, the economic historians Henry S. Maine, Carl Buecher, Otto Hintze, Max Weber and Marc Bloch, the sociologists Durkheim and Mauss, the anthropologist Richard Thrunwald, advocated an integration of the _disjecta membra_ of what might be tentatively called non-market economics. Eduard Meyer and Max Weber launched out on the task, but found no followers. B. Laum's explicit attempts at a general history, trying to reconstruct the mechanism of primitive and archaic economic institutions, was abortive, not least for lack of a unifying frame of reference.

This calamitous uncertainty about the concept of the economy harks back, we submit, to the founding of the neo-classical school of economics, with its somewhat confusing influence on the study of non-market economies.

II.

THE POSTHUMOUS CARL MENGER

Neo-classical economics was established on Carl Menger's premiss that its appropriate concern was the allocation of insufficient means to provide for man's livelihood. This was the first statement of the postulate of scarcity, or maximization. As a succinct formulation of the logic of rational action with reference to the economy, it ranks high among the achievements of the human mind.

Its importance was enhanced by a superb relevance to the actual operation of market institutions which, due to their maximizing effects in day-to-day operations, were by their very nature amenable to such an approach.

As Menger explained, however, in a posthumous edition of his work, published in 1923, the economy has two "basic directions", only one of which was the economizing direction stemming from the insufficiency of means, while the other was the "techno-economic" 1/ direction as he called it, deriving from the requirements of production regardless of the sufficiency or insufficiency of the means. For rationally production is called for if consumable goods are absent, while the factors are available.

In a section of Chapter IV entitled "The Two Basic Directions of the Human Economy", Menger wrote:

> "I call these two directions that the human economy can take - the technical and the economizing - basic (German: elementar); though these appear as a rule, indeed, almost always linked with each other, they nevertheless spring from causes that are essentially different and independent from one another, and in some branches of the economy actually make their appearance alone... The technical direction of the human economy is neither necessarily dependent upon the economizing one, nor is it necessarily linked with it." 2/

1/ Modern readers might mistake Menger's "technical" or "techno-economic" for "technological". The latter as Menger was the first to recognize, was in its purpose altogether different from the economy. The economy is limited to providing for the means of want satisfaction, whether by economizing or by production. Technology as such is a sphere of activity not necessarily aimed at any purpose of this kind, but may include scientific or military purposes or be enjoyed for its own sake, according to Menger.

2/ Italics in the original, translation mine.

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ierend'. He then added a special section on the phenomena that emerge from the conjunction of the 'techno-economic' and the economizing directions of the human economy.

Because of the brilliant and formidable achievements of price theory opened up by Menger, the new "economizing" or formal meaning of economic became the meaning, and that more traditional but seemingly pedestrian meaning of "materiality", which was not scarcity-bound, lost academic status and was eventually forgotten. Neo-classical economics was founded on the new meaning, while at the same time the old, material or substantive meaning faded from consciousness and lost its identity for economic thought.3/

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variety of non-gainful motivations which induced man to take part in production; sociology refuted the myth of an all-pervading utilitarian bias; ancient history showed cases of high cultures having no market system.4/ Menger was now anxious to limit the strict application of his 'Principles' to the modern exchange

3/ The formal and the substantive meanings of 'economic' as previously developed by the author contrasted 'economizing' with 'material'. This latter meaning is common to all the 'subdisciplines' of the social sciences grouped above, as economic. In speaking of the economic process, we are referring therefore to the substantive meaning of 'economic'. In brief, the institutional approach to the economy implies the substantive meaning of 'economic' which thus becomes a stepping-stone towards the definition of the economy as given here. (See Trade & Market in the Early Empires, Chapter XIII).

4/ Menger himself seems to have held that economizing attitudes involve utilitarian value scales in a sense which we should regard to-day as an undue limitation of the logic of the ends-means relationship. This may have been one of the reasons why he hesitated to embark on any theory other than that of "advanced" countries where such value scales could be assumed.

economy (Verkehrswirtschaft). The posthumous edition abounds in references to the exchange or market economy for which the 'Principles' were designed, on the one hand, and the non-market or backward economies, on the other. 5/

Only quite recently has attention turned again towards the economy of the under-developed and backward countries. Menger's discussion of economic development has however been forgotten. The posthumous edition where the distinction between the two directions of the economy is made, was never translated into English. No presentation of neo-classical ecohomics - including Lionel Robbins' (1935) - deals with the "two directions". The London School of Economics edition of the 'Principles' in its rare book series (1933) chose the first edition. Hayek, in a preface to this "replica" edition helped to remove the posthumous Menger from the consciousness of economists by passing over the manuscript as "fragmentary and disordered". "For the present, at any rate," Professor Hayek concluded, "the results of the work of Menger's later years must be regarded as lost." Some seventeen years later, when the 'Principles', with F.H. Knight's preface, were translated into English (1950), the first edition - half the size of the second was once more selected. Moreover, the translation rendered throughout the book the term "wirtschaftend" (literally: engaged in economic activity) by "economizing". Yet, according to Menger, this was the equivalent not of "wirtschaftend", but of "sparend", which he had expressly introduced in the posthumous edition in order to distinguish the allocation of the insufficient means from another direction of the economy which does not necessarily imply insufficiency.

Menger himself was content to universalize the concept of economic activity by stressing its two directions, and made no attempt to develop a particular set of terms for 'backward' economies which he was the first to distinguish

5/ Menger uses several words to designate these "backward" economies: zuruckgeblieben, unzivilisiert, unentwickelt.

categorically from 'advanced' ones; nor was this tried later by other social scientists. For the purposes of such a task, involving as it does a comparison of market and pre-industrial non-market economies, a broader approach to the economy may be needed. Such a concept of the economy may indeed be found to lie nearer to the classical than to the neo-classical school of economic thought.

BASIC PATTERNS

The economy as a sub-system in society may be defined as a process of continuous material supply channeled through definite institutions. The process consists of movements of things, the movements being caused by persons acting in situations created by those institutions.

This picture of the economy as an instituted process contains, I believe, in nuce all the semantic elements needed for our theoretical purposes. The economic process and its institutional integument made up of 'persons in situations', forms a complex whole. In actuality things and persons in situations, are inseparably linked while analytically they are separate.

Institutions are called economic if they typically create situations that determine the movements of which the process consists. The institutions ~~xxxx~~ together with the process form the economy as a sub-system. Its boundaries are elastic since the economic character of the institutions is a matter of the degree of both as to how typically they contribute to the forming of those situations and the immediacy with which these affect the process. Other institutions, less indirectly affecting the process are political, religious or otherwise non-economic. These exert their influence on the economic process only exceptionally - either accidentally or peripherally - for instance by creating untypical situations as when a church dignitary who happens to be a successful author claims royalties on a best seller. As a rule non-economic institutions exert an influence only by entering into a situation that is typically created by an economic institution: the dignitary may help boost the sales of an authorized work; or by exerting an influence on an economic institution as such, e.g., the book market: the dignitary may favor or frown upon censorship of literary publications - thus influencing the effectiveness of the book market.

Analysis must obviously start with the distinguishing of market economies from non-market economies.

While owing to the absence of market institutions to guide him, the economist was prevented from penetrating the socio-cultural tangle in backward societies, the social scientists, though experts in cultural settings that discount "rational motives", nevertheless failed to explain the course of the economic process, since no alternative pattern underlying the economy appeared available to serve as a referent.

What, it appears, has not been sufficiently considered was the possibility that under the surface other explanatory patterns might operate, different from exchange and not yet explored.

Market economies are as we have seen, readily identifiable by the dominance over the whole of a self-regulating system of price-making markets; non-market economies in contrast show a baffling socio-cultural variety of patterns. However, such economies have been found to be instituted in two basic patterns: reciprocity and redistribution, or a combination of the two. Together with market exchange this raises the number of patterns here distinguished to three.

Under a market system things are moving at the most favorable rate within a self-regulating system of price-making markets, an exchange pattern unique to our times. (A)

Reciprocity implies that things are moving between two or more symmetrically placed persons or groups. (B)

Redistribution postulates centrality, that is, things are directly or indirectly allocated from a center (on a small scale the ubiquitous peasant household belongs here). (C)

A system of price-making markets, symmetry and centrality are structural requirements of the three basic patterns, respectively.

Apart from the market economy, the patterns are not mutually exclusive in a particular economy, rather they tend to co-exist with one more prominent than the others. Long-distance trade for instance, ran between the empires of antiquity regularly as gift-trade, between the rulers, i.e., on reciprocative lines, while the things exported and those imported by the rulers were domestically collected and distributed by them through the channels of a central administration. Similarly, isolated markets are frequently found interspersed with non-market forms of integration.

Nevertheless, three patterns of movements are distinctive and significant causing stability and unity, i.e., a certain measure of recurrence and of interdependence of the parts. These patterns have therefore an integrative function, Hence their designation as 'patterns of integration'.

As a rule it is impossible to classify economies according to basic patterns, since these are not mutually exclusive, and dominance can not as a rule be claimed for any one of them (except again, in case of the market system). However, definite branches or levels of the economy, can be often ascribed to one of the patterns, which may then serve as a frame of reference in regard to that sector. In ancient Israel or in Dahomey, reciprocity prevailed on the village level, while on the nation level the redistributive pattern obtained. Similarly, in the domestic sector of trade redistribution took care of the movements of imported and exported goods, while in the foreign sector of trade as between the rulers, reciprocity prevailed.

Hence for comparative purposes our patterns A,B & C have a particular significance. We must aim at comparing corresponding culture traits as they occur under those patterns. For instance, such familiar institutional traits as money, price or long-distance trade should be compared with broadly corresponding economic culture traits in non-market economies. This approach will be followed up here, and some tentative results given.

The distinction between market and non-market economy involves as we saw, the economy as a whole. The two non-market patterns may concern only single sectors of the economy. Nevertheless, this should allow a comparison of definite economic traits as they vary under patterns A,B and C and even to generalize: how far do these traits show similar variants under the different patterns? And eventually to what extent, if any, do those similarities help to explain the working of the economy as a whole under these patterns?

Admittedly, semantic difficulties arise: having identified the trait, as e.g. money or price, in its familiar context, we must re-define that trait in general terms; then compare this model (A) with its assumed analogue in the context (B) and (C) and fix its institutional setting there. The crux of the matter is how to generalize the trait in terms which do not restrict it to the familiar context, yet leave us reasonable freedom to identify its variants in another context.

However, our definition of the economy offers a clue how to proceed. The economic process is conceived as a locational or appropriational movement of things while the institutional integument consists for us of "persons in situations" causing the movements to happen. This should allow the reduction of "economic" traits to a combination of *things* in movement and *persons* in situations. The movements of the things can be circumscribed operationally, the situations can be determined sociologically, thus avoiding such valuational or motivational terms, that may be potentially biased by virtue of the associations of the original context. Such a procedure which reduces any phase of the economy to operational and situational terms rests in the last resort on our approach to the economy as an instituted process.

The gist of this formulation was given by Menger himself in his posthumous work. The actual economy, he wrote, consisted of goods that are moving in the process of production and exchange, as well as of persons responsible for putting them in motion, whether their activity be caused by the insufficiency of the means (economizing direction) or by the requirements of production irrespective of such an insufficiency (techno-economic direction). Goods without persons - persons without goods, cannot make an economy, he wrote. For persons who are economically active cannot be conceived of in the absence of things to which their activities relate; nor do things by themselves constitute an economy in the absence of persons who are acting in relation to them. The two are inseparable constituents of the economy. Menger takes his "order of goods" - their distance from consumption - for granted. He can do so, since his definition of the economy is based on the concept of a provision for material want satisfaction, hence materiality enters both into the process of production and exchange, as well as into the situations responsible for the movements of the things on the other hand.

The success of the procedure outlined here cannot be taken for granted, for more than one reason. It may not be possible to strip a particular economic trait entirely of its associations with the system in which it functions. Even if successfully isolated, it may prove vain to look for a trait of identical functions under another system. Needless to saym even a successful translation of terms from one semantic sequence into another, even though consistently performed, ensures no more than formal correctness, not necessarily also a gain in substantive knowledge. For the points thus clarified may have been no more than system-difficulties, which arose out of the procedure applied, not problems originally set and accepted for such. Yet unless light is thrown on recognized problems that are of interest in their own right, no true advance in knowledge can be claimed.

In some cases at least, it appears, such questions may find a satisfactory answer.

IV. MONEY USES

In order to re-define money in general terms, we will start from the familiar objects themselves commonly so called. Res fungibiles were circumscribed in Latin as res quae numero, pondere ac mensura consistunt, that is, things referred to by number, weight and measure. Such fungibles, whether they be shells, coins, volumes of barley, or banknotes, are here called money as long as they are employed in uses as defined below.

Again, we must define the 'uses' themselves to which fungibles can be put in general terms so as to strip them of any association which would link them with the market context. Used for any one of those purposes they are money, whatever the context otherwise be in which they occur.

Payment is the handing over of fungibles in a situation of obligation, with the effect of wiping out that obligation.

Money used as a standard is a quantitative tag attached to units of different kinds as a device of "adding apples and pears". This use is particularly relevant to situations of barter, as well as of accountancy, as it occurs typically in staple finance.

Finally, there is the exchange use of fungibles, that is, the acquiring of them in order to acquire still other objects through a further act of exchange. The fungibles employed in the middle link of the indirect exchange function as money.

Our definitions of payment, standard and exchange contain no valuations or motivations restricted to a market context. Situational and operational items alone enter. A person finding himself under an obligation, can be so described in sociological terms, and so can his riddance from the obligation. The same holds good for persons involved in situations requiring an "adding up of apples and pears", one of these situations being barter; another, the accounting for different staples on a large scale.

In our pursuit of comparative research in regard to money we now leave the familiar market context which we used only for a starting point and pass on to early non-market economies where we will expect a redistributive or reciprocative pattern to take the place of exchange. The question is then, in what kind of institutional setting do fungibles occur here in either of the three money uses, provided they do so occur.

Research into the origins and development of money was vain as long as the distinctions between the ~~different~~ money uses were ignored.

Payment has been recently shown to stem from three wide-spread aboriginal institutions: wooing, composition and fines. These typically create obligations that are terminated through the handing over of fungibles. Fines may well have been among the earliest cases of payment, since punishment is what settles the transgressor's guilt - guilt and punishment being the source of the correlation of obligation and payment. If the punishment is quantifiable by counting, as getting lashes of the whip, or giving sheep, it is payment.

The standard use of money ~~originates in the~~ assumes a prior existence of substitutive equivalents. This is widely different from the traditionally held explanation. It was believed that standards of "value" as the phrase ran, could not have but sprung from rates previously established through bartering, or, eventually, in markets. Without the market habit, it was therefore thought no standard use of money could possibly have developed. This opinion, as Richard Thurnwald the anthropologist was the first to have shown, was ill founded. Nor do recent views of economic history of antiquity lend support to it. Babylonia, where the use of silver as a standard is well attested, certainly did not use silver as a means of exchange, nor did it possess a market system of any account. Standard rates in regard to staples were here of statutory origin, backed by custom, and frequently supplemented by proclamation. Rates of metals, which were exclusively of foreign provenance, were announced at the city gates, where trade transactions were regularly recorded. Damages, composition, fines and similar payments implied for some staples rates from the earliest times. This, together with the pervasive factor of taxation, storage and accountancy economy exerted a steady standardizing influence. Not exchange, but administration was the creator of money as a standard.

Barter is made easier by the unchanging equivalents that underlie the standards. When bartering either side may be offering various objects, the sum of which is to be equalized with the sum of the objects offered by the other side, maybe with a small equalizing payment (Akkadian: <u>niplatum</u>) to be made by one of the two partners. Staple finance is of course the large scale handling of staples ~~-made by one of the two partners staples~~ for purposes of planning, budgeting, balancing and control. This would be altogether impossible without a standard for the "adding up of apples and pears."

In archaic society taxation is the mainspring of substititive equivalents, which underlie standards. Where several crops are involved, large-scale taxation in kind is impracticable in the absence of such a standard. The collecting of taxes demands some elasticity in regard to the produce in which the tax can be alternatively defrayed in order to be rational, as well as for the protection of the taxpayer. Assessment is therefore, in units of the standard (for instance a grain of silver per acre) while payment is permitted in any of the various staples at the rate of equivalence. To the taxpayer the obligation of paying in a definite produce of which he may be short of amounts to an unnecessary hardship, while from the angle of the treasury, total revenue as paid in kind tends to even out over the territory of the country. If wages or rations also are due at definite rates of various kinds between which the claimant may choose at will, the standard use of some money of account helps to organize the procedure.

All this has a bearing on the use of money as a <u>means of exchange</u>. That such is universally the prime use of money ranks among the most pervasive presumptions in modern economic thinking. Assumed to be a self-evident truth, it stood engraved on the entrances to the dismal science. Encompassing, as it was believed to do, the whole history of civilization, it was eventually extended by anthropologists even to pre-literate society. "In any economic system, however primitive, an article can be regarded only as true money," Professor Raymond <u>Firth</u> wrote in the Encyclopaedia Britannica, XIVth edition, "when it acts as a definite and common medium of exchange, as a convenient stepping stone in obtaining one type of goods for another." (Art. "Currency, primitive.") This narrow concept of money created an erroneous picture of the nature of the various money uses and thus raised an almost insuperable obstacle to the analyzing of the working of non-market economies.

<u>V. PRICE</u>

A narrow concept of money would naturally prove an abstacle to the comparative treatment of an other important culture trait, closely linked with money, namely, price. Hence the axiomatic view in which money was primarily a means of exchange made an unprejudiced analysis of price in different economies all but impossible. ~~Xx~~ For instance it hid from our view an institution which was the key to the large scale non-market economies of ~~xxxxx~~ antiquity, almost as much as market prices are a key to market economies. We mean of course the institution of equivalencies in the technical sense of that term as a set figure for the rate of standardized staples. Again it appeared natural to modern scholars to interpret such equivalencies as rates of exchange, which they were not.

In our market organized economy the function of money lies primarily in the creating of prices. Prices fluctuate and gear markets into forming a self-regulating system. Money as a means of exchange and price-making markets have the combined effect of quantifying and thereby rationalizing the economic process. Efficiency as a by-product of costing hinges on prices that allow an exact computation of the best way of producing goods under the given conditions. A sort of automatic rationality of the economic process is thus the outcome of the fluctuation of the prices which accompany the functioning of the market mechanism. Hence our rigid association of money as a means of exchange with fluctuating prices, and _vice versa_ of prices with fluctuation. This traditional context bars us from grapping the true function of equivalencies. An unchanging quantitative relation attaching to different staples automatically takes on for us the connotation of a "set" price, implying that the changelessness is due to a freezing or fixing of the price which before that was fluid.

This amounted to ignoring two main features of equivalencies: first, that these were _not_ prices at all, but were born as unchanging rates which, in principle, would change only in the same way in which they were originally established; secondly, that they were _not_ intended to express rates of exchange, but rather rates of substitution - a very different matter, as we shall see.

The concept of price, then, should in comparative economics be replaced by the more general term of 'equivalency', which is not restricted to market rates, nor does it assume fluctuation.

Now, equivalencies in Oriental antiquity reveal an unexpected alternativity of purpose. They may indicate how much of one kind of a staple may be given in lieu of another (substitutive equivalency); but the intent may also be to indicate a rate of exchange (exchange equivalency). The two meanings of "for" in English, (French: pour; German: fur; Hungarian: -ert) show such an ambiguity as fairly widespread. It is essential to clearly visualize the utterly different situations to which the two terms apply. In the one case, that of exchange equivalency, there is a movement of two goods and the rate somehow expresses their equality, i.e., the point at which the vice versa movement of exchange occurs. In the other case one party alone is involved - be he tax-payer or recipient of rations - to whom the substitutive equivalency allows to choose between several goods to the same effect.

The rationale of exchange equivalencies is not so obvious as that of substitutive equivalencies. Why not allow the partners gainfully to barter at the rate at which they can agree, both sides thus attaining the maximum of advantage? But empirically, it appears that there is great reluctance with primitive peoples to barter the necessaries of life. If exchange of food for food, or other necessaries like wool, oil, or firewood occurs, it is invariably at set equivalencies. It is as though deep-seated moral obstacles stood in the way of any possible gain made of the exchange on the necessaries of life. The constrictedness of economic life under primitive conditions springs from this almost obsessive avoidance of gainful transactions. The moral advantages in terms of tribal solidarity of such an attitude are paid for by forgoing that freedom of exchange which is a source of a useful combination of goods. The institution of exchange equivalencies steps in at this juncture. It eliminates the notion of gain, as inherent in exchange. Indeed, mutual help between neighbours in an emergency would not be practicable but for recognized equivalents for the everyday necessities of life. An overlooked passage in Aristotle's

Politics states the criteria of such exchange of equivalents. The text strongly stressed by him deserves to be cited in full: "Some barbarian peoples still practice exchange in kind, for with such peoples each is expected to give the necessaries of life in exchange for other necessaries of life, for example wine for corn, as much as is necessary in the circumstances, and no more ( ) each handing over one kind and taking the other, and so with everyone of the things of that sort. The practice of barter of this manner and type is not, therefore, contrary to nature, nor is it a branch of the art of wealth-getting, for it was instituted merely for the restoring of man's self-sufficiency." (1257a, 24-31) The wording repays a careful analysis.

Two different changes in regard to equivalencies should, then, be assumed to have taken place in antiquity: a change from substitutive equivalents to exchange equivalents, followed by a change from equivalencies to market prices, thus running the gamut from a rigid permanency over a growing elasticity to fluctuating prices. While the shift from substitutive to exchange equivalencies was referable to the roles of taxation and set-price markets, the development to fluctuating prices, reflected the increasing importance of markets in the organization of trade.

3.

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The sustained effort at establishing an economics of underdevelopment is giving rise to problems at varying levels of abstraction. Outstanding among these, so it appears to me, is the question of the theoretical penetrability of the primitive and archaic economies that possess no market system. However, efforts in this direction are condemned to failure as long as investigation is limited to contemporary peoples. Alongside of the backward peoples of Asia, Africa and the Americas, non-market economies comprise the highly civilized empires of antiquity which also had no secondary industries, nor a market system. Over the Trobrianders, we mus not forget Sumer and Ptolemaeic Egypt. There is the same lack of understanding of the manner in which the economy operated in all these pre-industrial non-market areas, whether big or small, poor or rich, contemporary or long past.

Accordingly we will distinguish between two fields of organized inquiry into livelihood (always leaving aside Soviet type industrial non-market economies). The first we will briefly call economics, while those fragments of knowledge that concern pre-modern types of livelihood we will designate as the "sub-disciplines" of the respective social sciences - anthropology, sociology and history. The corresponding economies are also commonly contrasted as "advanced" and "backward", specifiable as market and pre-industrial non-market economies.

Our interest is here naturally solely in the latter. It fits in well with this, that backward countries have proved assessible to economic theory almost exclusively at the borders and the fringes where trade and markets of advanced countries reached them. Outside of the range of the market system and beyond it, where alien socio-economic structures seemed to obstruct rational analysis, economic theory lacked an institutional frame of reference.

All the more, it may have come as a surprise that neither have those "sub-disciplines" which specialize in non-market institutions reached any notable accuracy in describing the backward countries, nor did attempts in this field attain to any insights comparable to our understanding of the market economy, which is indeed remarkable.

Market organized livelihood forms a conceptual whole through a system of market prices. Single culture traits of the economy such as manufacturing, trade and money readily interlink. Manufacturing is carried on for gain made on price differentials on costing goods such as land, labor and raw materials which have markets of their own, similarly to food and other consumer's goods. Trade is a two way movement of goods through the market, directed by prices, and money a means of facilitating such a movement. Since prices are formed in markets, trade is market trade and money is essentially exchange money. Both trade and money should then be regarded as functions of the market. It may be taken in at a glance that a self-regulating system of price-making markets can result in a continuous supply of goods. The economist's question is only, how precisely does it all work

As to non-market economies, the position is completely different. For Babylonia or the West African Negro empires we possess no institutional frame of reference to hold on to, such as price-making markets. There is no agreement about what exactly we wish to know, what culture traits are expected to interlock, nor on what lines a parallel with market economies would follow. Culture traits resembling trade or money certainly occur, but there is no underlying pattern such as that of the market system to explain the movements of the things. Yet there is a continuous supply of material goods, that is, an economy.

This was largely the burden of the complaint of the economist, when blaming his lack of theoretical penetration of the economy in backward cojntries on those alien socio-cultural values and motivations that empede the application of "rational" principles of behavior. There seemed to be nothing to take the place of the market mechanism. Actually, the absence of market institutions was synonymous with that tendency towards "irrationalism" which stultified the economist's endeavors at comprehension. In terms of empirical research the dispersal of economic information among the social sciences should have suggested a linking up of those enclaves of knowledge. But again the status gained by economic analysis in this general field of study discouraged such attempts. Economics with its full-fledged intellectual armour tended to monopoloze initiative in primitive economics, economic history and economic sociology alike. The prevailing climate of opinion set a premium on common-sense maxims clothed in academic gowns, which were substituted for empirical research and critical analysis. "Faced with the choice between an advantageous and a less advantageous course, most men tend to choose the former" is a tupical pronouncement of the conventional wisdom that was deemed sufficient to introduce the axiom of gainfulness as a universal principal of human behavior. Once accepted, such an axiom would serve to justify the reception of the ambiguous terms of supply and demand wherever things are available (supply) that can be employed as means to a purpose (demand). Unwittingly, the human world would thus be transformed into a potential market system with trade and money as logical corollaries. For emquiry there was neither necessity, nor was room left for it. Eventually, price-making markets would be seen, though none were present, wherever trade and money occurred, and economics proper would take over, leaving the sub-disciplines where they were. At times such economistic influences flooded not only the economic sub-disciplines, but the main sciences themselves. Anthropology was affected by the allocational definition with its wake of a utilitarian psychology and a one-sided exchange definition of money; recently sociology developed a rationalistic tendency culminating in an ingenious scheme of extending economic theory to the totality of society; with economic historians of antiquity the myth of an invisible market pattern has come to overlie the economic life of the ancient Near East, hindering the acceptance of a less commercial and more realistic interpretation of the economic facts about the Oriental empires. Even this is not all. Apart from the extraneous market frame of reference, forced upon non-market societies, there was the already mentioned fragmentation of knowledge about non-market economies, the facts being domiciled in different sciences. A theme such as "The place of the economy in society" would mean to the anthropologist, its place in the cultural spectrum; to the sociologist, its place as a subsystem in a structured society; to the historian, its place on a time scale of several dimensions. Differences in semantic coloring would in this way tend to ~~xxxxxx~~ produce a puzzle of non-fitting items. Leading scholars in vain strained to reverse the trend towards departmentalization. The historian of antiquity, Eduard Meyer, the economic historians Henry S. Maine, Carl Buecher, Otto Hintze, Max Weber and Marc Bloch, the sociologists Durkheim and Mauss, the anthropologist Richard Thurnwald, advocated an integration of the <u>disjecta membra</u> of what might be tentatively called non-market economics. Eduard Meyer and Max Weber launched out on this task, but found no followers. B. Laum's explicit attempts at a general economics, trying to reconstruct the mechanism of primitive and archaic economic institutions, was abortive, not least for lack of a unifying frame of reference.

This uncertainty about the concept of the economy harks back, we submit, to the founding of the neo-classical school of economics, with its somewhat confusing influence on the study of non-market economies.

II.

THE POSTHUMOUS CARL MENGER

Neo-classical economics was established on Carl Menger's premiss that its appropriate concern was the allocation of insufficient means to provide for man's livelihood. This was the first statement of the postulate of scarcity, or maximization. As a succinct formulation of the logic of rational action with reference to the economy, it rands high among the achievements of the human mind.

Its importance was ehhanced by a superb relevance to the actual operation of market institutions which, due to their maximizing effects in day-to-day operations, were by their very nature amenable to such an approach.

As Menger explaines, however, in a posthumous edition of his work, published in 1923, the economy has <u>two</u> "basic directions", only <u>one</u> of which was the economizing direction stemming from the insufficiency of means, while the other was the techno-economic[1] direction as he called it, deriving from the requirements of production regardless of the sufficiency or insufficiency of the means. For production is called for if consumable goods are absent, while the factors are available.

In a section of Chapter IV entitled "The Two Basic Directions of the Human Economy", Menger writes:

> "I call these two directions that the human economy can take - the technical and the economizing - basic (German: elementar); though these appear as a rule, indeed, almost always linked with each other, they nevertheless spring from causes that are essentially different and independent from one another, and in some branches of the economy actually make their appearance alone... The technical direction of the human economy is neither necessarily dependent upon the economizing one, nor is it necessarily linked with it."[2]

Menger was avowedly faced by a semantic difficulty, He tells us that for the phrase "economizing direction" he found no German word corresponding precisely to the adjective 'economizing', and so he used the closest available term 'sparend', specifying its meaning in brackets as 'okonomisierend'. He then added a special section on the phenomena that emerge from the conjunction of the techno-economic and the economizing directions of the human economy.

Because of the brilliant and formidabld achievements of price theory opened up by Menger, the new "economizing" or formal meaning of economic became the meaning, and the traditional but seemingly pedestrian meaning of "materiality", which was not scarcity-bound, lost academic status and was eventually forgotten. Neo-classical

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1/ Modern readers might mistake Menger's "technical" or "techno-economic" for "technological". The latter as Menger was the first to recognize, was in its purpose altogether different from the economy. The economy is limited to providing for the means of want satisfaction, whether by economizing or by production. Technology as such is a sphere of activity not necessarily aimed at any purpose of this kind, but may include scientific or military purposes or be enjoyed for its own sake, according to Menger.

2/ Italics in the original, translation mine.

economics was founded on the new meaning, while at the same time the old, material or substantive meaning faded from consciousness and lost its identity for economic thought.[3]

Later, Menger wished to supplement his 'Principles', of 1871, so as not to appear to ignore the primitive, archaic and other early societies which were being studied by the new social sciences. Cultural anthropology revealed a variety of non-gainful motivations which induced man to take part in production; sociology refuted the myth of a pervading utilitarian bias; ancient history showed cases of high cultures having no market system.[4] Menger was now anxious to limit the application of his 'Principles' to the modern exchange economy. The posthumous edition abounds in references to the exchange or market economy for which the 'Principles' were designed, on the one hand, and the non-market or backward economies, on the other.[5]

Only quite recently has attention turned again towards the economy of the under-developed and backward countries. Menger's discussion of economic development has however been forgotten. The posthumous edition where the distinction between the two directions of the economy is made, was never translated into English. No presentation

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3/ The formal and the substantive meanings of 'economic' as previously developed by the author contrasted 'economizing' with 'material'. This latter meaning is common to all the 'subdisciplines' of the social sciences grouped above, as economic. In speaking of the economic process, we are referring therefore to the substantive meaning of 'economic'. In brief, the institutional approach to the economy implies the substantive meaning of 'economic' which thus becomes a stepping-stone towards the definition of the economy as given here. (See Trade & Market in the Early Empires, Chapter XIII).

4/ Menger himself seems to have held that economizing attitudes involve utilitarian value scales in a sense which we should regard to-day as an undue limitation of the logic of the ends-means relationship. This may have been one of the reasons why he hesitated to embark on any theory other than that of "advanced" countries where such value scales could be assumed.

5/ Menger uses several words to designate these "backward" economies: zuruckgeblieben, unzivilisiert, unentwickelt.

of neo-classical economics - including Lionel Robbins' (1935) - deals with the "two directions". The London School of Economics edition of the 'Principles' in its rate book series (1933) chose the first edition. Hayek, in a preface to this "replica" edition helped to remove the posthumous Menger from the consciousness of economists by passing over the manuscript as "fragementary and disordered". "For the present, at any rate," Professor Hayek concluded, "the results of the work of Manger's later years must be regarded as lost." Some seventeen years later, when the 'Principles', with F.H. Knight' preface, were translated into English (1950), the first edition - half the size of the second was once more selected. Moreover, the translation rendered throughout the book the term "wirtschaftend" (literally: engaged in economic activity) by "economizing". Yet, according to Menger, this was the equivalent not of"wirtschaftend", but of "sparend", which he had expressly introduced in the posthumous edition in order to distinguish the allocation ôf the insufficient means from another direction of the economy which does not necessarily imply insufficiency.

Menger himself was content to universalize the concept of the economy by stressing its two directions, and made no attempt to develop a particular set of terms for the 'backward' economies which he had been the first to distinguish categorically from the 'advanced' ones; nor was this tried later by social scientists. For the purposes of such a task, involving as it does a comparison of market and pre-industrial non-market economies, a broader approach to the economy may be needed. Such a concept of the economy may be found to lie nearer to the classical then to the neo-classical school of economic thought.

BASIC PATTERNS

The economy as a sub-system in society may be defined as a process of continuous material supply channeled through institutions. The process consists of movements of things, the movements being caused by persons acting in situations which are created by the institutions.

This picture of the economy as an instituted process contains, I believe, in nuce what we need to know about economies for our theoretical purpose.

So as not to lose our way we will have to move with caution at first. The economic process and its institutional integument made up of 'persons in situations', forms a complex whole. In actuality things and persons are inseparably linked while analytically they are separate.

Economic institutions typically create situations that control the movements of which the process consists. Such institutions are inseparable from the process; together with which they form the economy. The boundaries of the sub-system are therefore elastic since the economic character of the institutions is a matter of the degree of the immediacy with thich they affect the process. Other institutions, only indirectly affecting the process are political, religious or otherwise non-economic. These exert their influence on the economic process exceptionally - either accidentally or peripherally - for instance by creating untypical situations as when a church dignitary who happens to be a successful author claims royalties on a best seller. As a rule non-economic institutions exert an influence only by entering into a situation that is typically created by an economic institution: the dignitary may help boost the sales of an authorized work; or by exerting an influence on an economic institution as such, e.g., the book market: the dignitary may favor or frown upon censorship of literary publications - thus influencing the effectiveness of the book market.

Description must obviously start with the distinguishing of market economies from non-market economies.

While owing to the absence of market institutions to guide him, the economist was prevented from penetrating the socio-cultural tangle in backward societies, the social scientists, though experts in cultural settings that discount "rational motives", nevertheless failed to explain the course of the economic process, since no pattern underlying the economy appeared available to serve as a referent.

What, it appears, has not been sufficiently considered is the possibility that under the surface other explanatory patterns might operate, different from exchange and not yet explored.

Market economies are as we have seen, readily identifiable by the dominance over the whole of a self-regulating system of price-making markets; non-market economies ~~xxxxxxxxxxxxxxxxxxx~~ are of a baffling socio-cultural variety. However, such economies have been found to be instituted in two basic patterns: reciprocity and redistribution, or a combination of the two. Together with market exchange this raises the number of basic patterns to three.

Under a market system things are moving at the most favorable rate within a self-regulating system of price-making markets, an exchange pattern unique to our times. (A)

Reciprocity implies things that are moving between two or more symmetrically placed persons or groups. (B)

Redistribution postulates centricity, that is, things are directly or indirectly allocated from a center (on a small scale the ubiquitous peasant household belongs here). (C)

A system of price-making markets, symmetry and centricity are structural requirements of the three basic patterns, respectively.

Apart from the market economy, the patterns are not mutually exclusive in a particular economy, rather they tend to co-exist with one more prominent than the others. Long-distance trade, between the empires of antiquity, regularly ran between the rulers as gift-trade, i.e., on reciprocative lines, while domestically, the things exported and those imported by the rulers were collected and distributed by them through the channels of a central administration. Similarly, isolated markets are frequently found interspersed in dominant non-market forms of integration.

Nevertheless, these three patterns of movement and the basic institutions that channeled them are significant and distinctive. A process embedded in such a pattern has a certain stability and unity, displaying a measure of recurrence of the parts and of interdependence between them. In this sense, the institutions that channel the process have an integrative function, producing an economy as a unit. Hence their designation as 'patterns of integration'.

As a rule it is impossible to classify economies as a whole according to very few patterns, since the "basic" patterns are not mutually exclusive, and dominance often can not be claimed for any one of them, except again, in case of the market system. However, definite sectors or levels of the economy, can be ~~xkxixmxxfxxxxxx xxxxxxxxxx~~ often altogether ascribed to one of the patterns. These may then serve as a frame of reference in regard to that sector or level. In Dahomey, reciprocity prevailed on the village level, while on the state level the redistributive pattern obtained. Similarly, in the domestic sector of trade, redistribution took care of the movements of imported goods, and those to be exported, while in the foreign sector of trade as between the rulers, reciprocity prevailed.

For comparative purposes the patterns A,B & C have a particular significance. Comprehensive study of economies must aim at comparing analogous economic culture traits under the various patterns. For instance, such familiar traits as money, price or long-distance trade can be compared with broadly corresponding traits in non-market economies. This avenue of investigation will be followed up here, and some tentative results given.

The distinction between market and non-market economies involves as we saw, the economy as a whole. The two main variants of non-market patterns may involve only definite sectors or levels of the economy. This should enable us to proceed to the comparison of traits as they vary under patterns A,B and C and, to generalize: how far do these traits show similar variants under the patterns A,B and C? And to what extent, if any, do these variants explain the workings of the economy under the different patterns?

~~workings of the economy under that pattern~~?

Serious semantic difficulties arise: having identified the trait, in its familiar market context, we must re-define it in general terms; then compare this model with its assumed analogue in the alien context and eventually determine its institutional setting. The crux of the matter is the re-defining of the economic culture trait in general terms which do not restrict the trait to the familiar context of the market system, yet permit us to identify its variants as such.

Our definition of the economy offers a clue how to proceed. The economic process represents a locational or appropriational movement of things, the institutional integument consists of "persons in situations" who cause the movements to happen. This allows the reduction of any "economic" trait to things in movement and persons in situations. Movements can then be circumscribed operationally, situations can be determined sociologically, thus we evade all valuational or motivational terms, which are potentially market biased. Such a prodedure which results in the reduction of a phase in the economic process to operational and situational elements rests in the last resort on the approach to the economy as an instituted process.

In a somewhat different formulation the gist of this description was given by Menger himself in his posthumous work. The actual economy, he stated, consisted of goods that are moving in the process of production and exchange, as well as of persons responsible for putting them in motion, whether their activity is caused by the insufficiency of the means (economizing direction) or by the requirements of production irrespective of insufficiency (techno-economic direction). Persons who are economically active cannot be conceived of in the absence of things to which their activities relate; nor can things by themselves constitute an economy in the absence of persons who are acting in relation to them. Things and persons are inseparable constituents of the actual economy. Menger takes here the "order of goods" - their distance from consumption - for granted. According to his definition of the economy, which is based on the concept of provision for material want satisfaction, that 'order' enters into the process of production and exchange, on the one hand, into the situations that are responsible for the movements of the things which make up the process on the other.

Admittedly, the success of such a heuristic procedure as we have outlined cannot be taken for granted. It may not be possible to strip a particular economic culture trait entirely of its associations with the market system of exchange in which it functions. Even if successfully isolated, it may prove vain to look for a corresponding trait of identical functions in a non-market economy. Needless to say, even a successful translation of terms from one semantic sequence ~~tx~~ into another, even though consistently performed, ensures no more than formal correctness, but no gain in substantive knowledge. The points clarified may be no more than system-difficulties, which arise out of the procedure applied, not problems originally accepted as such. Yet unless light is thrown on recognized problems of interest in their own right, no true advance in knowledge can be claimed.

IV. MONEY USES

In order to re-define money in general terms, we will start from the familiar objects themselves commonly called money. Res fungibiles were circumscribed in Roman Law quae numero, pondere ac mensura consistunt, that is, things referred to by number, weight and measure. Such fungibiles, whether they are shells, coins, volumes of barley, or banknotes, are money as long as they are employed in some definite uses.

Again, we define these 'uses' themselves in general terms so as to strip them of associations which link them with the market context. This refers to three particular uses to which fungibles can be put. Employed in any one of them they are money, whatever the context otherwise be in which they occur.

Payment is the handing over of money objects in a situation of obligation, with the effect of wiping out that obligation.

Money used as a standard is a quantitative tag attached to units of different kinds as a means of "adding apples and pears". This use is particularly relevant to situations of barter, as well as of accountancy, as it occurs typically in staple finance.

Finally, there is the exchange use of fungibles, that is, the acquiring of them in order to acquire still other objects through a further act of exchange. The fungibles employed in the indirect exchange function as money.

Our definitions of payment, standard and exchange contain no criteria derived from the market context. Situational and operational items alone enter into them. A person who finds himself in a situation of obligation, can be so described in sociological terms, as can be his riddance from obligation. The same holds good for persons involved in situations requiring the "adding up of apples and pears", one of these situations being barter; another the accounting of staples in kind on a large scale.

In our pursuit of comparative research we now leave the market context which we used as our starting point and pass on to non-market economies where we will expect a redistributive or reciprocative pattern to take the place of exchange. The question is then, what kind of uses broadly comparable to our three money uses, are fungibles here put to?

Research into the origins of money was necessarily vain as long as the distinctions between the different money uses were by-passed.

Payment typically stems from three wide-spread aboriginal institutions: wooing, blood-money and fines. These create situations in which obligations are terminated through the handing over of fungibles. In effect, fines seem to be among the earliest money uses, since punishment is what settles the transgressor's guilt; if the punishment is quantifiable by counting, as getting lashes of the whip, or giving sheep, it is payment.

The standard use of money originates in the prior existence of substitutive equivalents. This is widely different from the traditionally held explanation. It was believed that standards of "value" as the phrase ran, could not have but sprung from rates previously established through bartering, or, eventually, in markets. Without the market habit, it was therefore thought no standard use of money could possibly have developed. This opinion, as Richard Thurnwald the anthropologist has shown, was ill founded. Nor do recent views of economic history of antiquity lend support to it. Babylonia, where the use of silver as a standard is well attested, certainly did not use silver as a means of exchange, nor had it a market system of any account. Standard rates were here of statutory origin, probably backed by custom, and frequently supplemented by proclamation, Rates of metals, which were exclusively of foreign provenance, seemed to have been in some cases announced at the city gates, where trade transactions were regularly recorded. Damages, composition, fines and similar payments involved the statuating of rates from the earliest times. This, together with the pervasive factor of accountancy, involved in all manner of strange economy, exerted a steady standardizing influence. Not exchange, but administration was the creator of money as a standard.

The actual connection between barter and standard is in effect that the unchanging equivalents that underlie the standards facilitate barter. Either side may be offering various objects, the sum of which is to be equalized with the sum of the objects offered by the other side (maybe with a small equalizing payment - Akkadian: <u>niplatum</u> - to be made by one of the two partners.) Staple finance is the large scale handling of staples - whether already "in hand" or still expected - for purposes of planning, budgeting, balancing, and control. This, too, requires a standard for the "adding up of apples and pears."

In archaic society taxation is the mainspring of standards. Where several crops are involved, large-scale taxation in kind is impracticable in the absence of such a standard. The collecting of taxes demands some elasticity in regard to the produce in which the tax can be defrayed in order both to be rational, and for the protection of the taxpayer. Assessment may be, therefore, in units of the standard (for instance a grain of silver per acre) while payment is permitted in any of the various staples at the standard rate. To the taxpayer the obligation of paying in a definite produce of which he may happen to be short amounts to an unnecessary hardship, while from the angle of the treasury, revenue in the various staples tends to even out over the territory of the country. If wages or rations are due in definite proportions of various kinds of goods, between which the claimant may choose at will, standards may help to orgahize the procedure.

All this has a particular relevance to the question of money as a <u>means of exchange</u>. That such is universally the prime use of money ranks among the most pervasive presumptions in modern economic thinking. It was assumed a self-evident truth comprising the whole history of civilization and was extended by anthropologists beyond that to preliterate society. "In any economic system, however primitive, an article can be regarded only as true money, "Professor Raymond <u>Firth</u> writes in the Encyclopaedia Britannica, XIVth edition, "when it acts as a definite and common medium of exchange, as a convenient stepping stone in obtaining one type of goods for another". (Art. "Currency, primitive".) This narrow concept of money seems to leave scant room for the facts ascertained by other anthropologists as well as economic historians. It certainly created an erroneous picture of the origins of the various money uses and thereby made it even more difficult to analyze the working of non-market economies.

V. PRICE

The axiomatic approach to money as a means of exchange, so natural to our days made a comparison between the economic culture trait "price" in market and industrial non-market societies all but impossible. It hid from view an institution which was the key to the understanding of the large scale non-market economies of antiquity, almost as much as market prices are a key to market economies. We mean the institution of equivalencies, in the technical sense of that term as a set figure for the rate of different staples. (Akkadian: <u>mahirum</u>).

In market-organized economies the function of money lies primarily in the creating of prices. These prices fluctuate and gear markets into a self-regulating system. Money as a means of exchange and price-making markets have therefore the combined effect of quantifying and rationalizing the economic process. Efficiency through costing hinges on prices that allow an exact computation of the best way of producing goods under the given conditions. The automatic rationality of the economic process is thus the outcome of the fluctuation of the prices that accompany the functioning of the market mechanism. Hence the association of money as a means of exchange with fluctuating prices, and of prices with fluctuation. This traditional context bars us from grasping equivalencies. For an unchanging quantitative relation attaching to different staples automatically takes on for us the connotation of a "set" price, implying that the changelessness is due to the freezing of the price. For the very concept of an inherently unchanging price would appear as a contradiction in terms. Also unwittingly, in economic matters, we are apt to associate any quantitative rate with exchange situations.

This amounted to ignoring two main features of equivalencies: first, that these were __not__ prices at all, but were born as unchanging rates which, in principle, would change only in the same way in which they were originally established; secondly, that they were __not__ intended to express rates of exchange, rather rates of substitution - a very different matter.

As a general term then, equivalency should replace "price".

Equivalencies in Oriental antiquity reveal an unexpected alternativity of intent. They may indicate how much of one kind of a staple may be given __in lieu__ of another (substitutive equivalency); the intent may also be to set a rate of exchange (exchange equivalency). The two meanings of "for" in English, (French:pour; German: fur; Hungarian: -ert) show that this ambiguity was fairly widespread. The substitutive variant of equivalency is apparently the earlier of the two. This may denote that central economic administration preceded on the whole market methods of distribution; redistribution was prior to exchange.

The importance of equivalencies in the frame of the redistributive pattern can be hardly exaggerated. Without substitutive equivalencies no rational accountancy is possible in a natural economy; also they create freedom of choice in defraying taxes, as well as in choosing between different goods under a "point" system of rationing. Equivalencies in exchange have a morally liberalizing effect in communities where gainful transactions particularly in regard to the necessities of life do not occur. Indeed, the constrictedness of economic life under primitive conditions springs from that almost obsessive avoidance of gainful transactions. The moral advantages of such a passive attitude are paid for by forgoing that prime source of economic advance, the useful combination of goods offered by freedom of exchange. The institution of equivalencies steps in at this juncture. It widens not only the economic possibilities but also the range of personal relationships and indeed, raises mutuality onto a higher level. An overlooked passage in Aristotle's Politics states the criteria of exchange of equivalents. Indeed, mutual help between neighbours in an emergency would not be practicable without recognized equivalents for the everyday necessities of life. The passage deserves to be cited in full: "Some barbarian peoples still practice exchange in kind, for with such peoples each is expected to give the necessaries of life in exchange for other necessaries of life, for example wine for corn, as much as is necessary in the circumstances, but no more, handing over the one kind and taking the other kind in return, and so with everyone of the things of that sort. The practice of barter of this manner and type is not, therefore, contrary to nature, nor is it a branch of the art of wealth-getting, for it was instituted merely for the restoring of man's self-sufficiency." (1257a, 24-31)

Two different changes in regard to equivalencies should then be assumed to have taken place in antiquity: a change from substitutive to exchange equivalencies; followed by a change from equivalencies to fluctuating prices, running the gamut from a rigid permanency over an increasing degree of elasticity to market-made prices. While the shift from substitutive to exchange equivalencies is referable to the roles of taxation and set-price markets, the development to changing and indeed to fluctuating prices, reflected the increasing importance of markets in the organization of trade.

VI. LONG-DISTANCE TRADE

Still another economic culture trait offers here for comparison: external trade is as old as some money uses. Following our semantic procedure we start from its meaning in the familiar context of the market, then re-define its concept in general terms before looking our for a corresponding trait under some other than the market form of integration. But there's a serious hitch. Treating of money or price variants of these culture traits common in an exchange economy were found without much trouble under redistribution. Nor so with external trade. One had soon to realize that what seemed at first a corresponding phenomenon sometimes lacked an essential of market trade, namely two-sidedness, that vie-versa movement of goods characteristic of exchange. Acquisition of goods from a distance turned only later on into a definite two-ways movement of goods. Instead, the archaic features of expeditionary trade, raiding for booty and other methods of acquiring from, and carrying over, a distance retained an ingredient of violence which kept "trade" closer to war than to peaceful bartering. Two-sidedness entered into acquisition of goods from a distance more as a matter of diplomacy to foster goodwill and to improve the chances of a continuous transaction than as a means of satisfying the mutual interest requirement which we associate with trading. Hence the ambiguity of the Homeric trading situation which was almost indistinguishable from priacy, later repeated by the Viking expeditionary raids which wavered between trade and raid according to the chances of circumstance. The acquired goods retained much of the nature of a ransom paid by the coastal victim who eventually will rather trade than be raided. Another feature of primitive "trade" is that it often is merely a by-product of exogamy with its wooing goods and dowry goods which move two-ways, even when the women themselves move only one way. Where exchange marriage is established, as in some West African and Micronesian tribes, the exchange ~~marriage is established, as is in some~~ of brides takes first place over the two-ways movement of the goods. Visiting parties or mutual thieving are reciprocative features in which peacefulness prevails, and the acquiring from a distance is secondary. Anyhow, the element of distance is essential thus introducing the paradox of the preference that is t raditionally given to the longest over the shortest distances in archaic trade. Where the acquiring of timber, stone, metals must be ecologically justified, the shorter distance tends to lose much of its attraction for lack of ecological diversity. Ever since Gudea's day down to the Odyssey, sheep were driven away ~~with~~ together with their shepherds, and mules were traded with their drivers, not to speak of the citizens sometimes dragged into slavery almost as an afterthought to the trading expedition. With these reservations, trade can be described in general terms as acquisition of goods from a distance in a relatively peaceful and fairly continuous way, two-sidedness being the accessory that helps to ensure the latter attributes.

Oct. 8/59

AN INSTITUTIONAL APPROACH TO PRIMITIVE NON-MARKET ECONOMIES

Kp

~~Exxxxxxxx~~

Semantic Introduction

(A) Economic Theory and the Institutional Approach.

This approach is derived from the substantive meaning of economic. It can also be called "general economics" as distinct from "formal economics" which is derived from a branch of the logic of rational action.

The current meaning of economic is of course a compound meaning in which the formal and the substantive ~~sub~~merge. It is related both to materiality and to rationality.

The current meaning is: 1. the most widely understood

2. the root of "economies" whether advanced or backward
" market or non-market
" industrial or pre-industrial

3. "economics" then is the theory or the conceptualization of economies, i.e., ~~the~~ description and explanation of ~~[illegible]~~ these

(B) Economic~~s~~ Theory's Claim to Universality.

The institutional approach to the economy.

The limits of economic theory:

a) The Methodenstreit was eventually won by theoretical economics. Menger limited it to advanced market economies (monetized utilitarian value-scale).

b) Formal economics: Walras (equilibrium) Schumpeterian interdependency system; economistic degeneration (Robbins), game theory (correct).

c) Extension to socialist that is non-market economies: Menger, Wieser, Boehm-Bawerk (critical of capital); Mises: negatively critical.

Pol.: Socialist accountancy.

d) Extension of theoretical economics to monopoly, ~~xx~~ oligopoly; aggregates
decision making

e) Preindustrial non-market economies. The economistic fallacy. Antiquity (oikos controversy)

[part of "An Institutional Approach to Early Non-Market Economies"]

the dignity may help boost the sales of an authorized work; or by helping or hampering an economic institution as such, e.g., the book market: the dignitary may favor or frown upon censorship of literary publications - thus touching upon activities in the book market.

As an illustration of thecomparative method employed here, three economic culture traits are selected. These are: money uses; set equivalents; and the closely connected institutions of trade and traders.

Our procedure will be(1) t start from these terms as they are familiar to us in our own everyday environment; (2) generalize the concept by restricting it to operationally defined elements of the economic process, while stripping it of its motivational associations deriving from the market context; (3) seek out institutional variants of it of a fairly similar function under an other than the exchange pattern of integration; (4) describe its institutional integument, which consists of persons in situations; these situations are formed by (a) patterns of integration (b) sui generisstructures and (c) operational devices: the explanatory factor lies in the repetitive element which links the situation with the process functioning as an activity-inducing mechanism; (5) eventually, it will be investigated to what degree the dominant pattern, the sui generis structure and the operational device employed, gear in forming the activity-inducing mechanisms which explain the functioning of the non-market economies by causing the movements that add up to the economic process. It should then be possible to gauge to what extent the comparative effort will advance our understanding of the manner, in which the economic process is channeled in the different non-market societies.

PART IIIZ

THREE BASIC PATTERNS

A systematic attempt at a theoretical approach to the problem of the non-market economy must start from the analytical distinction of market and non-market economies. The next step must be a further distinction between different kinds of non-market economies.

In Part I the market economy has served as a paradigm of an economy the theory of which is grounded on the presence of a dominant institution in the economy, the market syste,.

Our first question then is, whether the patent distinction between market and non-market economy can not serve us as a key to the theoretical handling of economies in general.

Indeed, the ~~pos~~ possibility may not have been sufficiently considered, that under the surface other ~~patterns~~ basic patterns might operate, similarly to exchange but different from exchange, and npt yet explored.

Market economies are, then, readily identifiable by the prominence of interdependent price-making markets; in other economies one of two basic patterns, reciprocity and redistribution, prevails or a combianation of the two.

In an exchange ~~economy~~ economy things are moving under a self-regulating system of price-making markets.

Reciprocity, as a form of integration, implies that things are moving between two or more symmetrically placed persons or groups.

Redistribution, as a form of integration, postulates centricity, that is, things are directly or indirectly allocated from a center (on a small scale the ubiquitous peasant household belongs here.)

A system of price-making markets , symmetry and centricity are structural requirements of the three basic patterns, respectively. These patterns are not exclusive in a particular economy, rather they tend to co-exist with other patterns, one more prominent than the others.

In effect. these three patterns are not mutually exclusive and are not, therefore, per se classificatory terms in regard to economies ans a whole. However, definite sectors - branches or levels - of the economy may be ascribed to one of the patterns, which can then serve as a frame of reference in regard to that sector. Foreign and domestic trade, for instance, may differ as to pattern.

In ancient Israel or in Dahomey, reciprocity prevailed on the village level, redistribution on the national level. Long distance trade, for instance, ran between the rulers of the ancient empires usually as gift-trade, i.e., on reciprocative lines, while domestically the objects exported as well as those imported were first collected and then distributed through the channels of a central administration. Similarly, single isolated markets are frequently found interspersed with non-market forms of integration.

These patterns of movements have been found significant in producing a degree of unity and stability in the process, i.e., a certain measure of interdependence and recurrence of the parts. The patterns have therefore an integrative function. Hence their designation here as 'patterns of integration.'

~~Nevertheless, patterns of integration can be employed as basic bases for an exploration of the definition of the economy as instituted process~~

The definition of the economy as instituted process offers a clue of how to proceed. The economic process is to be conceived as movements of things, while the institutional integument consists of "persons" causing the movements to happen. This should allow the reduction of the economy to a complex of things in movement and of persons in definite situations. The movement of things can be described operationally, the situations themselves can be determined sociologically , in either case avoiding valuational or motivational terms which may be biased by dint of their associations with the familiar context of the market.

The actual economy, Menger argued, consisted of goods that are moving in the process of production and exchange, and of persons responsible for putting them in motion, whether their activity be caused by the insufficiency of the means (economizing direction) or by the requirements of production irrespective of any such insufficiency (techno-economic direction.) Neither goods without persons, nor persons without goods make an economy. Persons cannot be economically active in the absence of things to which their activities relate; nor do things constitute an economy in the absence of persons who are acting in regard to them. Menger took his "order of goods" - their distance from consumption - for granted. He could do so, since his definition of the economy was based on the notion of provision for material want satisfaction, hence the concept of materiality entered both into the process of production and exchange, and the situations responsible for the movements of things.

The success of the procedure outlined here cannot for two reasons be taken for granted. It may not be possible to strip a particular economic culture trait of its associations with the market context in which it is familiar to us. Also, we may look in vain for an institution with identical functions under another pattern of integration. Finally, even a successful translation from one semantic sequence to another, ensures no more than a formally correct procedure, not necessarily also an advance in substantive knowledge. For the points thus clarified may have been system-difficulties, merely arising out of the procedure followed, not out of genuine problems originally set and accepted as such. Yet unless we deal with recognized problems that are of interest in their own right, no true advance in knowledge can be claimed.