

Economic anthropology

Part I Introduction

In the aftermath of the Cold war, it is hardly surprising that economics should mean, to most people, a choice between the two gargantuan ideologies of capitalism and communism. In consequence, anthropology's greatest challenge has been to stand back from this narrow choice and demonstrate how much of the received wisdom of global economics a historical accident is. If orthodox Marxist economics have long seemed too deterministic in the light of communist regimes failures, most western economic anthropologists, as Sahlins and others have cautioned, members of a bourgeois culture, whose core ideological notions are embodied in and reproduced by neoclassical economic theory.

This has produced several dramatic effects. First and most obvious is the sheer difficulty of understanding all the different economics systems around the globe. Second, there is a question of how far we can talk about pure economic systems as the formalists argue or whether we must treat economic matters as embedded in other dimensions of the social and cultural as the substantivists argue.

1-The formalist-substantivist debate of the sixties

The field economic anthropology anchored with the notorious debate between Formalists and Substantivists, which climaxed in the late 1960s. However this debate started earlier with Malinowski's critique of Western economies tools to approach the economy of the Trobriand Islanders. In Trobriand society, the constraints on individual choice of material goods and economic activities are so extreme, and they are dictated not only by social obligation but also by primitive technology and physical environment. There is simply no equivalent to the range of choices of goods and activities which makes meaningful such economic concepts as "maximizing" and "economizing".

This debate has paved way for a more culturalist concern with rational man. Primitive people follow customs and social rules, and when they do make choices, they are rarely thinking of immediate self-interest. However, this debate is now a matter for analysis by the history of economic anthropology and can no longer be regarded as the axis of the state of the art in economic anthropology. The only way to understand the passion and conviction raised by the formalist-substantivist debate is to see behind it the reflexive, political and moral issues it raised.

1-1 The initial formalist position:

Let us explain the older approach of the so-called formalists. The formalist proposition was that the economic rationality of the maximizing individual has to be found in all societies. As a consequence, the formalists' anthropologists had largely used neoclassical economic theory without questioning its focus on the individual and its master trope of the rational and needful man, a perhaps surprising persistence of methodological individualism in a discipline: social anthropology otherwise so strongly marked by the sociocentric legacy of Durkheim. They adapted it to their cases by, for example, extending the individual's need-motivated goals to include prestige and honor; having others in one's debt; and excellence in ceremonial performance. Even non economic transactions have been recast in terms of this instrumentality. They also short-circuited analysis by turning the monetary metaphors of their own societies back on those in which cash was not only or yet the medium of transaction. Criticism of this approach was not initially epistemological, and considered as ethnocentric, but merely methodological and practical.

1-2 The substantive position:

Karl Polanyi was an economic historian, whose book *The Great Transformation* published in 1944, traced the development of the modern capitalist market from the other systems with great nostalgia of the past. He predicted imminent breakdown of our civilization. In his view, modern capitalism has elevated profits and the market over society and human values, turning everything in a commodity to be bought and sold. He thought that economics developed along with market as its servant and is merely a part of a system that help capitalism going by making it seems natural. In his later work, Polanyi went further back in time to look at earlier empires to try to understand other ways, besides market capitalism, that civilizations have built their economy (*Trade and market in the Early empires* published in 1957). One of Polanyi's papers in *Trade and Market*, entitled "The *economy as Instituted process*", defined two meanings of the word economics: formal, meaning the study of rational decision making, and substantive, meaning the material acts of living. Polanyi then said that only in the historical development of the modern West have the two come to have the same meaning, for only in modern capitalism is the economic system (substantive) fused with rational economic logical (formal) that maximizes individual self-interest. Only capitalism institutionalized formal principles in this way, through the medium of the market and the flow of money. In modern capitalism, Polanyi said, the economy is embedded (in the sense is a part of) in the market institution. In the economic systems of ancient cultures or in other societies, the economy is embedded in other social institutions and operates on different principles from the market. Without markets, formal economics has no meaning. Polanyi concluded that economics should therefore seek to find out how the economy is embedded in the matrix of different societies (institutional economics).

Polanyi suggested through his historical and cross-cultural studies, that there are three major ways that societies integrate the economy into society. These ways of integration are from 3 types: reciprocity, exchange and redistribution. Reciprocity is a general kind of helping and sharing based on a mutual sense of obligation and identity. People help each other because they have social ties; they belong to the same family or clan. Redistribution is a system with a central authority of some kind, a priest, a temple, or chief. Exchange is calculated trade. Modern market exchange using money and bargaining to set prices is a special case and quite recent historically. Polanyi thought that different combinations of these three kinds of economic logic were found in all societies, but in each society one of them was dominant. The substantivist model is profoundly relativist; it says that the economy is based on entirely different logical principles. Each economic system has to be understood in its own terms. And Polanyi's substantivism leaps instantly from relativism to evolutionism. He is not simply defining types but is showing how these types form a historical series from simple to modern, from primitive to complex. Marshall Sahlins has used the Polanyi types in Stone Age economies.

1-3 The Formalist Strike back:

In the early 1960s, there was a powerful movement in social science which aimed at promoting more rigorous and scientific theorizing and methods. Like their Enlightenment ancestors, they wanted to remodel anthropology and sociology to resemble something more like particle physics, with formal hypotheses, experiments, mathematical modeling, and universal laws that could predict future events. Fieldwork, it was felt, should be designed to test these laws, rather than to explore a particular case. For anthropologists with these goals, economics may have been imperfect, but it was a lot closer to science than the kinds of descriptive and unsystematic ramblings that they were used to in so many ethnographies.

The substantivists were accused to be pushing things backward, not forward, threatening to shape economic anthropology into a descriptive field of the humanities like history instead of into a

modern comparative rule-generating science. There was also, at the same time, a brewing dissatisfaction to explain everything only in terms of culture. What about the role of individuals? Focusing on politics and rapid cultural change, anthropologists like Frederik Barth argued that people did not simply follow the rules of their cultures, but as individuals, took a hand in shaping it. These anthropologists saw innovation, creativity, conflict and logical reasoning instead of passive sticking to tradition when they went to the field

The strike back was very violent. Formalist considered that the substantivists got their microeconomics wrong; they do not require that maximizing does not require money or markets. Anything, like security can be maximized. Formal methods work in non capitalist societies because all societies have rational behavior, scarce ends and means.

Substantivists are inductive and try to generalize from observation, instead of using deduction to explain each instance as an example of human behavior. As a consequence, the formalists moved attention away from economic institutions, and their classifications, towards economic behavior, specially focusing on decision making and rational choice

Part 2-Economics and the problem of human nature

As we have seen in Part 1, controversy in economic anthropology has revolved around the problem of defining economic behavior and the economy as a set of activities and objects. It seemed in anthropology that neither the debate between formalist and substantivists nor other more modern debates have asked the right questions.

1-Defining the economy:

The terms formal and substantive represent the way of defining economy. Formal, the way that people makes choice. The substantive pertains to the substance of economy, the daily activities of producing, consuming.

2-Defining economic anthropology:

It's the part of anthropology that engages in dialogue with the disciplines of economics
Malinowski: The Argonauts of the Western Pacific

3- The question of human nature:

Economics started in Europe as the study of moral philosophy. Like religion, economics asked questions about human nature. An economic philosophy emerged as separate from theology (Thomas d' Aquinas). Thus economics asks a fundamental question about the origin of selfishness and altruism. Hobbes, Rousseau and Adam Smith have accepted that human beings are essentially selfish. When they cooperate or help each other, it is because of self-interest...

4- The self interest model: dominant approach in microeconomics

4-1 The social model: This forms the basis for approaches labeled political economics
Durkheim sociology arguing that religion was the human institution that taught people to be social, placing the group above the interests of the self

4-2 The moral model: cultural economics. The moral values flow from a cosmology.

4-3 The combined models: Humans are self and group interest. Humans are flexible and adaptable to social and economic change.

The highest goal for economic anthropology is to find out what makes people self-interested, moral or social. Culture is the sum of all these behaviors.

Part 3 Self interest and neoclassical microeconomics

1-The history of self interest

The individual human being has a special place in Western philosophy and politics. Since the Enlightenment, Western ideas about society have been cast largely in terms of individual rights and freedoms, elevating autonomy to a virtue, in opposition to the chains and bonds of feudalism and tyranny. It should be no surprise, then, that Western economic thought also starts with the individual and tries to understand the whole of work, trade, and money by analyzing the behaviour of the single human being.

1-1 Adam Smith:

In the middle Ages, economic philosophy was tied to the moral theology of Catholicism. Just prices and wages were based on moral principles and were contrasted with unjust profits and usury. As the importance of trade and economic activity to state revenues increased dramatically in the fifteenth and sixteenth centuries, scholars began to seek principles and laws to guide public practice. Rulers needed to know how to set tariffs, raise revenues, and deal with shortage of food, cash and other goods. In this setting, what we now recognize as macroeconomics began as discussion of mercantile issues, part of the rapid expansion of the West into Asia and the new World. Economic philosophers asked what was good for the nation and pondered how much the state should intervene in economic affairs.

Seeking mechanical natural laws of economics, some authors argued that left to itself, trade would follow mathematical laws and government regulation would only interfere with self-regulating systems. The economists felt that the government, for example, must keep gold in the country, because gold is wealth, so the state must encourage exports and discourage imports. The notion of natural economic laws arose not as a philosophical speculation about human nature but mainly through a complex debate about government policies during a period of mercantile expansionism and growth of the institutions of the nation-states during the seventeenth century. This allowed for the first time, an abstract and philosophical discussion of value.

The real start of modern Western economics as a discipline is usually traced to Adam Smith (1723-1790). Smith wrote the *Wealth of the nations* as a series of lectures on public policy. The task for him was that of a natural scientist, to discover the workings of a vast machine which is the economy. To build an empirical science, they have to find some way to define goods and their value in a secular way, without reference to theology.

In these lectures, Smith asserts that value cannot be measured by money, because sometimes money is scarce which was common at his time. Value is also not the same as utility as is shown by the comparison of water (useful, low value) and diamonds (useless, high value). The real or natural value is the amount of labor it takes to produce it. Among North American Indians, he said, beavers were traded for deer in a rate corresponding to the time it took to hunt them, which is comprehensive in primitive societies where labor is the only factor of production.

In contrast, in more “civilized societies”, values are determined by exchange, not by production. Rents and profits become part of the values of things. Smith therefore has two theories of value, one rooted in the individual (labor) and the other on society (exchange). He never solved the problem, but he made a clear statement of priority by identifying the value of an individual’s labor as natural.

Using his theory of value, Smith tried to reason out answers to pressing social and political problems. His goal is to understand how economy can work to make prices reflecting natural values so that workers are justly compensated for their labors. And he wants to show at the same time, this can lead to the generation of wealth, in the form of productive assets, properties. His answer is the mechanism of the market, which acts like an invisible hand to bring prices and values together and to provide at the same time the rents and profits that make the accumulation of wealth possible.

People participate in this open market because of their own self interest desire to get the best return for their labor by selling at the highest price. But they also exchange because of an inborn human nature to truck, barter and exchange one thing for another. Smith's human being is selfish because of essentially positive natural impulses to make order in the world. From this philosophical construction, Smith builds a powerful argument that the individual self interest generates the society's best interests. The more competition among agents, the more production, exchange and accumulation of wealth are realized. Competition keeps down the prices, cost of production, profits and interests rates, and controls abuses of monopolies. When governments intervene to regulate and control prices and markets, they impede the working of the market and retard the greater good. The key element of Smith's argument is that human individual self-interest, working through the market system, produces the greatest possible good for the nation as a whole. The effect of Smith's calculus is to move to moral issues into the realm of logic, rationality and justice.

1-2 Ricardo and Malthus :

After Smith, David Ricardo (1772-1823) was the next greatest ancestor figure of economics. He continued to place value at the foundation of economics. The pillars that he build upon that foundation are a series of assumptions, the basis of an economic universe in which human action can be predicted. He defined the basic rules within which all economic behavior takes place. He assumed;

- 1) most property is privately owned
- 2) labor time is the ultimate source of value
- 3) economic actors have freedom of choice
- 4) Homo Oeconomicus is a rational maximizer of economic gain (the utilitarian principle)
- 5) All things being equal equilibrium in the natural state of economy

Equilibrium is a key concept in Ricardo thinking, for it represents an ideal state of balance between demand and supply .The idea of equilibrium rests ultimately on the belief that there are natural laws of the economy that are just like the natural laws of the economy that are just like the natural laws of physics.

Ricardo saw all these assumptions as natural states of being, not descriptions of the real world and viewed his deductions as scientific statements, but we can see his axioms as social philosophy. They describe a set of values about the way the things should be. The question was no longer, what is human nature? But making some assumptions about human nature, can we make some accurate predictions and guide policies? And certainly, hiss work on the law of wages and on comparative advantages in international trade proved extremely useful in understanding economic history and changes in prices over the time.

It is remarkable that the fact that Ricardo invented a theory of economic equilibrium during the incredible dislocations of the Industrial revolution proves that the development of economic reasoning is to a high degree independent of the actual course of the economic events.

Malthus was a friend of Ricardo. He applied economic calculation to a different set of problems, that of the balance of population and resources. In his *Essay on Population* (1798), he wrote that war, famine, and disease were the product of geometric population growth overshooting arithmetic growth in food resources. War, sickness and starvation would therefore level off the

population, producing a kind of equilibrium. Here again is a model on human rationality, on a utilitarian assumption that people will keep having more children because it is to their own benefit, though it hurts society as a whole. Reasoning mathematically from these premises reveals a natural equilibrium. The major following alternative was Marxism (which is developed in another chapter)

2-Neoclassical economics:

Modern economics is divided in macro economics and micro economics. Macroeconomics looks at whole economic systems, conventionally the nation state, but more recently the world economy. It is concerned with modeling these systems in ways that will account for relationships between variables such as rates of taxation and rates of inflation, investment and revenue. Macroeconomists divided the economy in sectors usually households, businesses and government, make generalizations about how each one acts when variables changes.

Micro economists are concerned with the internal mechanics of the little boxes that they create in their models: the firm, the household and with the operations of the market that link the boxes together. Their basic approach is to look at decisions made under rigidly specified conditions; decisions of about how allocate labor in production and money in consumption, with the goal of predicting scarcity, prices, demand, and the cost and output of labor. Economic language: idea of economic model

Economics as a discipline is defined partially by the language it uses to build up its models. And the idea of a model is essential for understanding modern academic economics. The idea is to simplify the operation of the real world, taking away the random, in order to build a mathematical representation that still deals with the reality. Simplifying assumptions, per example assuming that all the consumers know the prices of all the products in the market, help in the initial model building, with the idea that complications can be reintroduced once the basic relations become clear. This something like the way engineers might build a computer model of how water flows over a river bed. They start with simple formulas with a single velocity for a uniform regime or a straight regime and try gradually to add complexity with non stable or permanent regimes, bends and obstructions.

In trying to work from a set of scientific laws about individual behavior in order to establish the laws of motion for entire world economies, economists have built several distinct bodies of theory. Microeconomics starts with the theory of demand, grounded in the utilitarian assumption already explained (each human being should be a rational maximizer), making the simplification that the consumers sector is composed of households, each of which has a pooled bundle of resources to spend in the market. Microeconomics provides also a model of production, grounded in the theory of the firm. Each firm seeks to allocate its resources most efficiently to create products, with the goal of maximizing profits. . Production and consumption come together in the theory of markets.

2-1 The theory of demand:

It is the area where anthropology and economics intersect most closely. The theory of demand concerns the choices we can make between options in a situation where the things we want and the things we have are scarce. The problem is to maximize your utility (satisfaction of the needs). Utility is not an objectively measurable quantity, but it can be measured relatively in the form of rankings and definition of priorities. Thus, we have assumed to have stable preferences.

As soon as we accept that there things that we want that can be ranked against each other, we have to add that when we do get what we want, we don't keep wanting it as much. In other words, satiation is possible, and this is formalized under the term diminishing marginal utility.

As you get more of something you value, each additional increment provides you less marginal utility.

As you consume a good and its utility decreases, you begin to think of consuming something. Economic theory says that for any combination of goods there will be substitutability in maximizing total utility. (Indifference curves).

In reality, few items have perfect substitutability because goods differ in their basic characteristics. This calls for a notion of a diminishing rate of marginal substitution. The idea follows common sense: We will be more willing to substitute something for a good that we have more of. As we satisfy our urgent needs, we will want to get other things more. Indifference curves are useful because they can help predict how people actually behave. There is a fixed combination of two goods that we can buy with a certain amount of money. Microeconomics analysis of demand can characterize individual consumers or groups of consumers. The major practical utility for microeconomic consumer theory is in predicting demand at different prices. Basic market equilibrium is quite simple. Demand and supply curves intersect at a theoretical point of equilibrium.

The theory of elasticity completes this modelisation. It proceeds from the observation that demand for some goods is quite flexible, responding readily to changes in price and supply. Demand for other goods is stable, regardless of the market place. Regardless of the price of a staple, the family will consume more less the same quantity. The demand for staple is perfectly inelastic. Demand for other consumables like luxury clothing can be elastic. Economists often assume that elasticity is a quality of goods. It is more grounded in cultures and can be determined only in local situations.

2-2 Production theory:

Almost any anthropological work on agriculture uses some variant of production theory to try to understand how and why people form particular groups to handle heavy labor demand agriculture operations and how farmers allocate their resources and labor. It is easy to demonstrate that people are making rational choices. (See micro economics lectures).

Two very useful concepts in studies of production are specialization and economies of scale. Specialization refers to the ability to produce more efficiently by dividing labor among individuals or groups. An economy of scale is the result of finding the optimum number of people to do a particular job. This aspect of production theory is concerned with the relationship between the size of an enterprise and its efficiency usually measured in output per person. An economy of scale exists when each percentage of increase in input, labor, money or materials, produces a greater percentage of increase in output. But it does not go indefinitely (law of diminishing returns). Production theory has proven to be powerful in explaining differences between productive groups in different settings.

2-3 Other perspectives:

Most formal neoclassical economics assume that producers, buyers and sellers in firms have a perfect knowledge of information. More advanced models consider the cost of acquiring information and the possibility of imperfect knowledge (institutional economics). For institutional economists, the transaction costs of building relationships, changing organizations, and getting information are the keys to understand why people form groups and work together in the real world.

Although formal microeconomics often assumes that people know their options and can anticipate the results of their actions, many of the most important choices that people make are

based on imperfect information. In real life people makes choices in different degrees of ignorance or uncertainty. Specialized formal methods have been developed, first in agricultural economics, for choices made when people do not precisely know the consequences of their actions. Theorists make an important distinction between risk and uncertainty. Risk is predictable and quantifiable, uncertainty not. In general when farmers make risky choices, their environment doesn't answer to their actions. (It is going to rain or not, whether I plant maize or not). The problem is far complex when the decision the farmer is taken affects other people, who are also making choices who affect the outcome; they are playing a much complex game. Game theory asks how people can achieve an optimum outcome when other actors are trying to do the same thing and the consequences of their actions are linked together. The question in definitive is under what circumstances it pays people to be egoistic, altruistic or cooperative. But like the rest of microeconomics, game theory begins with some basic assumptions about human nature and utility.

3-Critiques of formal economics and Rationality:

Are Human beings rational maximisers or not. We have explained in the introduction of this lecture the debate between anthropologists and economists, between anthropologists themselves. Moreover, there is also an extensive literature, which examines the limitations of human reasoning power in complex decision-making environments. People use bounded rationality that is, decisions that are limited by people perceptions, imperfect knowledge and subjective feelings.

Many have questioned the reality of the economist 's model of consumer behavior , which assumes that we have all have a single unified utility in our heads , that preferences can be ranked stable and transitive, that they seek to maximize, how can we ever know what they are? Conventional economics, says we can find by looking at people's behavior, that when people act they reveal their preferences. But many critics point to the ultimate circularity of the argument. We know they have preferences because they made particular choices, and we know they made those choices because of their preferences. We have to assume people are rational in order to measure their preferences. The same circularity can be applied to the concept of maximization. The most fundamental criticism of rational choice theory is one that questions the whole notion of human behavior as decision-making. The ultimate problem with all economic explanations of human behavior is the idea of rationality itself. How we define if an action is rational or not. One of the most persistent critiques of neoclassical economics is aimed at the utilitarian assumption that human beings are rational maximizers of their utility. For some, this means that economists see human beings as innately immoral, hedonistic pleasure seekers, single-mindedly calculating their own advantage in every situation.

Amitai Etzioni (1988) has proposed to integrate a moral dimension for the formulation of new economics. Etzioni argues that human are social beings as well rational self-serving individuals and he wants to find ways of combining these two aspects of human experience. People make choices on the basis of judgement rooted on their social experience and only secondarily on logical grounds. For him human are primarily illogical: obviously we can provide many amazing examples. Institutions, not individuals, are the main units of society to consider: people act as agents of institutions. Institutionalized inequalities and power determines prices , not the free operation of the market

Part 4 Social and Political economy

4-1 Social Humans:

The tension between individual and group identity is a central theme in our society; it is also a basic problem in economic and anthropological theory. Most humans grow up in family groups of some sort and therefore get basic training in working together, sharing, and identifying as a member of a collective with a group identity. This capacity to belong seems very basic to many, a 'natural' characteristic of the species. Within social sciences disciplines, we find a huge variety of ideas why people form groups, how groups create and enforce rules to regulate individuals, how groups adapt evolve and decay. Many of these theories have economic implications and related to issues of economic behavior and economic institutions.

Per example, the social exchange theory used by game theorists tries to show that individual maximizing leads people to form social groups for co-operation as a rational solution for solving real-world economic problems. This liberal notion of a group as a voluntary product of a consensus, that benefits to all participants is very ancient and came from people like James Stuart Mill. Their idea was that people belong to groups because people are logical, and they realize with education that they are better off belonging. They form social contracts out of long-term self-interest. This implies that we have the power to change a group, to leave it, to overthrow its leaders.

For another point of view, from the observation that social groups do not serve the needs of all their members, we can move to the assumption that people are freely seeking individual satisfaction from a range of possibilities. Instead, we may be born into groups, forced into them, or classified as members against our will or consent. And groups can have power over their members, forcing them to conform despite their own individual's needs, desires or strategies. Groups contest for power rather than choice; we have a very different perspective on social life, which in turn reflects distinctly on human nature. Instead of rational maximizers, we have political animals seeking power and followers by using persuasion, the power of ideas and images, physical force, and fear and so forth.

4-2 Power and Politics

Of course, the idea of human beings as political and social animals has a history. As the nineteenth century brought so huge transformations, social dislocation and economic differentiation, new social theories developed to account these changes.

In the nineteenth century, first political economists or political philosophers were liberals as Bentham and Spencer, who continued to stress the central importance of individual freedom. Like modern Libertarians, they saw both the modern state and traditional institutions as repressive and dangerous, as obstacles to progress and prosperity. Their descendants were the neo-classical economists.

Second political economists were the radicals as Marx. They saw also the state, the church as oppressive institutions; obstacles to social justice. Marx and followers sought to attack the social and economic system as a whole. They did not see the oppressive state as the creation of rational individuals, which therefore could be changed by the rational action of free individuals. Rather they saw the state and the industrial economy as a vast machine of tyranny created by a privileged few for their own purposes.

Later political economists were conservative as Le Play, who thought social problems were caused when people lost their respect and beliefs in old traditions, authorities. Le Play denounced individualism and utilitarianism and he declared that they were the basic cause of 19th century economic and social problems, because they have breakdown old institutions like the family, or

the aristocracy and had caused the decay of traditional moral values. The conservatives think that people need stronger institutions, not freedom.

These three perspectives are still very much as recognizable political philosophies. However, they have participated to the construction of sociology as a science. (See document on Sociology through important authors.)

Durkheim was a pure sociologist. Durkheim and Marx present two very different perspectives on human nature. Although both are social theorists, in the sense that they believe that human beings live and act in groups, they disagree fundamentally on what kind of social animal *Homo Sapiens* really is. Both reject the radical individualism and utilitarianism of Adam Smith and the mainstream of economic theory, but there the agreements mostly end. For Durkheim, social life is a source of harmony and strength. Marx, in contrast, found an external struggle in society, an arena where powerful contradictions drove conflict founded in a history of inequality. His theory is the foundation of political economy.

4-3- Durkheim and the social Organism

Durkheim's most fundamental point about human nature is that human beings are social; they lived in groups and their consciousness is shaped by their interactions with others. Therefore, we cannot understand human social behavior by looking at individual psychology; the collective cannot be explained by looking at individual psychology. Unlike the Utilitarians, Durkheim did not believe that self-interest draws people together. Instead, he thought that people's individual interests pit them against each other; people cooperate only when they have submerged their self-interest in that of the wider group. Society gets individuals to suspend their individual interests through a system of beliefs and sentiments that make social life feel quite natural, a system that Durkheim labeled collective *unconscious*. These collective beliefs have the tangible power to deflect and channel natural individualism.

Durkheim thought the society impresses its will on the individual through the carrot and the stick. The carrot is the system of belief in the sacred that gives order to the world and lets each individual share contact with a power greater than the self. Ritual, per example is a conscious expression of human togetherness, of authority and power rooted in the collective. The stick is a set of sanctions and punishments. However, Durkheim did not think humans are mechanical mindless conformists.

But the idea developed in *Suicide* that people will die if they are not properly socialized and given some wider identity in a group is very appealing and makes intuitive sense.

Beyond the idea of the socialized human, Durkheim established three themes, those themes are at the very heart of economic anthropology: *anti-utilitarianism, anti-individualism and typological evolutionism*.

4-4 Anti-Utilitarianism:

The foundation of neoclassical economics is the idea that individuals make practical choices among options, based on their perception of the intrinsic worth of those options. To the utilitarian, a person's knowledge and attitudes may ultimately be derived from other people, but their choices are ultimately personal and internal. Their judgments are based on intrinsic characteristics of the things they choose, so value has some real basis in the natural world. Adam Smith thought this value was grounded in the labor that goes into production, although other values were created in the physical process of market exchange.

Durkheim argued that the values of things are social constructions and products, having no basis in utility, labor, or need. A flag, he says, in an almost worthless piece of cloth, but a man will die for it. Value does not come from reason, but rather from social conventions. We want things not

because we figure their utility but because of the absolute power of collective representations to convince us that things are good. Society substitutes for the world revealed to us by our senses a different world that is the projection of the ideals created by society itself. Thus, *values are social products*.

The micro economist's world begins with unlimited wants. To Durkheim, unlimited desires are antisocial, not a true form of freedom. Instead, real freedom only emerges from strict rules and regulation. Society sets limits on needs and desires and therefore makes satisfaction possible. The economy too is a product of social life. Durkheim has no compunction about social and political regulation of the economy. Where utilitarians saw healthy competition in the market place, Durkheim saw chronic warfare and perpetual discontent. For these reasons, Durkheim advocated direct government intervention in economic affairs. He believed that the economy throughout history was subordinate to and controlled by political, religious and social institutions. Problems occurred, according to him, in industrial Europe because society has lost control over the economy.

Durkheim's notion that the economy is embedded and bounded to society surfaces over and over again in economic anthropology. It is a pillar of the substantive current we have described in the first part. But in Durkheim's work we can see the political agenda behind substantivism more clearly. It aims at taming the economy, in direct contradiction to the free market philosophy of the English Utilitarians who thought markets were a liberating source of justice and equality.

4-5 Anti-individualism:

In Durkheim sociology, the individual doesn't really exist. One of his rules of the sociological method is that you cannot explain the behavior or beliefs of society by reference to the individual. A group is not the sum of its individuals. It is instead something greater, following rules and laws of its own. Every in society has to be explained by reference to social needs, social functions, and social history, not by examining the ideas or motives of individuals.

When the individual has been eliminated, Durkheim says, society remains. We must, then, seek the explanation of social life in the nature of society itself. It is quite evident, he continues, that since it infinitely surpasses the individual in time as well as in space, it is in a position to impose upon him ways of acting and thinking which it has consecrated with its prestige. . This pressure, which is the distinctive property of social facts, is the pressure that the totality exerts on the individual.

The collective consciousness is not the same as the individual's. And by extension, even human reason and self-awareness are only the products of society. The very ideas that we think with are simply reflections of the kind of communities and social groups that we live in. However, he agrees that his "normal and healthy" human acts in an economically self-interested way much of the time. But since in every place individual rationality is the same, the individual can never be called upon to explain the particular shape of any society or the variations between societies. If people are not always acting out of rational self-interest but instead expresses the collective consciousness come from, and what shapes it into so many different forms? Here we have to remind Durkheim's functionalist position. Society, according to him, functions to maintain and perpetuate itself. You have to explain individual customs and practices by looking at what they do to maintain the solidarity, cohesion and order of the group.

4-6 Typological evolutionism:

Like the utilitarians, Durkheim used non-Western societies as a tool for understanding European society. He accepted the prevailing wisdom of his time by thinking about contemporary people around the world as representatives of earlier forms of Europeans societies, which were there fore

important keys for understanding the starting point and stages in the development of the modern from the primitive. His entire approach was founded on this evolutionary distinction.

In Durkheim's version of social evolution, the opposite poles are societies dominated by mechanical solidarity at one extreme and by organic solidarity at the other. In the primitive societies, mechanical solidarity prevails, change is slow, property is collectively owned, and everyone conforms. Society is divided into numerous, small identical units such as clans. People needs are entirely regulated by custom. Economic activity in these societies can only be seen as the expression of social solidarity.

But as people grow up denser, the intense face-to-face interaction of mechanical solidarity cannot be maintained. People begin to specialize in different kinds of work and activities, forming specific social subgroups. This division of labor leads to a society where subgroups relate to each other functionally, like the organs in a body. The whole economy becomes integrated because people are more dependent on one another, and people are now grouped together through the kind of work they do. They develop laws and rules to regulate their cooperation. In a way Durkheim thinks that the division of labor reduces competition and conflict and maintains social solidarity in the face of increasing solidarity.

As a result Durkheim establishes the basic foundation of social economic perspective by arguing that human consciousness was a product of society. Economic became an expression of social structures, the economy changes because society becomes more complex.

4-7 Marx: Putting Politics in economy

Marx's social human is crucially different from the Durkheimian perspective. For Marx, consciousness was not simply defined by cosmology or ritual experience of group membership, but rather by what he saw as a more fundamental human activity: work.

Marx injected politics directly back into the study of economics. The neo-classical school of individualism is explicitly not concerned with power; individuals are autonomous decision makers. Their choices reflect their preferences and interests directly and are limited only by the kinds of information available to them. They work together only when it suits their purposes, and they create society as an extension of individual choices. If people drink impure water, they have chosen to allocate their effort to those ends. If they want clean water, they will pay for it. The sovereignty of the individual, in this view, is absolute. If the government passes water laws, it limits people choices and shifts the costs of goods to people who do not want them.

Marx believes, like Durkheim, argued on the contrary that people's economic rationality is embedded in society, that people belong to groups and classes and that their choices reflect social and historical structures over which they have no power. Where Marx parted ways with Durkheim was in his consideration that society was not a unity, a single interested group. Instead, within society there are classes of people defined by the kinds of property they own and the kinds of work they engage in. These classes are in contention and conflict with each other. They struggle for dominance and control, with a consciousness defined by their position, putting politics into all social life. Classes, not societies, he thought, define the consciousness of their members and the divisions within society.

Although Marx said that class shapes consciousness, he never asserted that class or social forces mechanically determine human consciousness. He always argued that human beings make the world they live in and that they can therefore change it.

4-7-1 Marx, Human Nature and history:

Marx said that human beings are different from other species because we think symbolically, as we form images of things before we make them. Furthermore, in the process of acting on our mental images, we work with and thereby find new and develop new goals. We discover, and in a sense we create, ourselves through labor. And unlike other species, we work even we have not no immediate needs.

Productive work therefore lies at the hearth of Marx's analysis of social life. Labor, we have seen, in Marx's economic system the only form of value. But people do not always keep the products of their own labors; they cooperate with each other and exchange their production back and forth. If products are exchanged at the ratio of the amount of work put into them, they are reflecting their true value. Marx thought this was may be the case in primitive societies. But in all later societies, people receive either grater or lesser value for what have produced or contributed. The difference is called *surplus value*. This surplus value is a key to understand the economy, for it is what people produce beyond what they need to survive and reproduce. And the nature of society can ultimately be defined by tracing the flow of surplus value and the means through it is extracted from some and taken by the others.

Drawing on European history, ethnographic research of Henry Lewis Morgan, Marx traced the development of the extraction of surplus value through a series of stages of types of society. Using Marx's notes, Engels wrote *The Origins of the family, Private Property and the State*, in which he said he was able to recognize the first forms of extraction which took place in the household, as the surplus value produced by women and children, and handled by husbands and fathers.

In later societies, surplus value was extracted through slavery, bondage, tribute and taxation. Marx and Engels argued that all these systems of inequality are based ultimately on private property, on social systems that protect property and assign special rights to property to particular kinds of people. Private property is the basic means by which surplus value is taken from some and accumulation by others. Finally, in capitalism, surplus is taken from the worker in the form of the difference between the value of what a worker produces and the value of the wages that the worker receives.

At the time when Marx constructed his political and historical economy of capitalism, history was understood and interpreted mostly in idealist terms. For philosophers as Hegel, people's ideas changed over time, writing history requires tracing the development of ideas and beliefs through time. Opposed to the idealism of Hegel, Marx thought that ideas are largely a product of class, economic structures, and social related positions. Ideas justify or rationalize the economic structure at any one time but they do not cause their existence.

According to Marx, the mode of production in material life determines the general characteristics of the social, political and spiritual processes. It is not the consciousness of men that determines their existence, but, on the contrary, their social existence that determines their consciousness.

4-7-2 Marx divides the social systems called modes of production in three components:

First the economic base or infrastructure. This includes the tools and technologies, the skills and labor that people use to produce, the forces of production which are the social groups that people form for the purpose of the work, and the relations of production which are the specific relations of inequality between people that moves surplus around. On top of this base is the superstructure composed of a juridical –political system which orders and regulates society, usually in the interests of the economically dominant class and an ideological apparatus that is the system of ideas which rationalizes and convinces the have-not and the have that the way society is working is natural. The whole bundle of base and superstructure together is usually called the mode of production. There is no question in Marx that he saw as the dominant element in the mode of

production. The two parts do not fit seamlessly; there are always contradictions and conflicts that threaten order, and this lends a constant dynamism in human history.

Wolf (1982) enlarges the definition of the different modes of production that form the political economic basis for all cultures.

Capitalist: Wealth can buy labor power; capitalists control means of production; laborers are denied access to means of production, surplus accumulate to owners, so this is a growth system.

Tributary: Wealth is not used to control means of production, extraction is through political, not economic means, struggle between local and central powers for control of surplus, civilization is the justifying ideology, and there is a cosmology of hierarchy

Kin-ordered: Wealth consists of labor and social relations, labor is locked into social relations of consanguinity and affinity. People circulate among social groups, and control of people is a key, accumulation comes from the control of people and war, limiting the possibility of expansion.

Marx was not a sociologist but he worked out a series of laws of motion of the capitalist mode of production that have proven remarkably accurate. He predicted that companies would get larger and larger and seek to establish monopolies, that capitalists would invest more and more on technology, driving constant innovation, and that there would be continuing cycles of boom and bust in capitalism development. However, he also made a number of predictions that have not been fully realized or he made errors in interpretation. He predicted ever more control of the central state. He predicted ever greater social polarization between the rich and the poor. He did not anticipate the continuing growth of the middle class. He expected that workers would show growing class consciousness, leading to more class conflicts and rejection of dominant ideology by the mass of workers. However, as far ideology is concerned, we know that it was a controversial issue among Marxists from Gramsci to Althusser. Gramsci was the first to see the importance of cultural roots affecting consciousness and identity, and class consciousness cannot simply be the product of class struggle.

4-7- 3 Marx versus Weber: conclusion

Marx and Durkheim both offer a holistic perspective and argue of the social nature of humanity and see the economy as a product of social forces and think that human consciousness is determined by social relations and have little faith in common sense and practical reason. Both use an evolutionary and historical framework through they divide all societies in a limited number of stages and types. But where Durkheim exalts social integration and functional unity of societies, Marx is more concerned with the conflict that arise from inequality, which inevitably leads to change and Marx elevates class conflict based on the relations of production to the status of prime mover. Because Marx paid close attention to economic differences, he provided a much more detailed terminology for different kinds of societies than did Durkheim.

There is a broad range of economic anthropologists who draw their inspiration from Marx. The general thrust of all Marxian anthropology is quite clear:

1-A focus on issues of power and exploitation.

2- A concern with conflict and change

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

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

There is not so much place for individual rational decision making in Marx's scheme.

The structural functionalism of the British social anthropology was influenced by Marxism.

4-8 -Varieties of Social and Political economy

4-8--1 Social anthropology

During much of the twentieth century, British anthropology was dominated by an approach that has come to be called structural functionalism (see history of anthropology). In its broadest outlines it accepts most of Durkheim's assumptions about human nature: that people are basically social, that individual consciousness is shaped and formed by social context, that these social contexts form social types and types of societies. Society moreover is bound together by functional relationships between parts and institutions.

Radcliffe-Brown states clearly in his ethnography of the Andaman Islanders:

- a) A society depends for its existence on the presence in the minds of its members of a certain system of sentiments by which the conduct of the individual is regulated in conformity with the needs of society.
- b) Every feature of the social system itself and every event or object that in any affects the well-being or the cohesion of society becomes an object of this system of sentiments.
- c) In human society the sentiments in question are not innate but are developed in the individual by the action of society upon him.
- d) The ceremonial customs of a society are a means by which the sentiments in question are given collective expression on appropriate occasions.

Any attempts to explain social life by reference to the activities or thoughts of rational individuals was condemned as inherently psychological rather sociological. Economy was seen as public expression of social life. To Radcliffe-Brown, people may think they are planting crops or building houses, but they are really building social relationships. Radcliffe-Brown primary unit of analysis is the social and political structure as Evans Pritchard in the Nuer. People had to do this or that in order to keep the social system working properly. Because no social system could achieve perfect equilibrium, there was always a judicial system that resolves disputes and put things back onto a smooth functioning. The economy was seen as just another social institution, in which people followed the rules and worked, exchanged, and consumed according to the customs appropriate to their social position. Radcliffe-Brown argued that the economic machinery of a society appears in quite a new light if it is studied in relation to the social structures. According to him, the exchange of goods and services is dependant upon, is the result of, and at the same time is the means of maintaining a certain structure, a network of relations between persons and collections of persons.

If we follow this logic to its conclusion, we find that the economy is not particularly interesting to study, since the real puzzle is social structure. Although Evans-Pritchard tells us that social structure is closely related to economic life, there is no question about which. The Nuer men depend heavily on millet and fishing, but their attention is riveted on cattle, because of the social function of cattle in kinship and politics. As in the rest of structural-functionalism, the economy is never a source of contradiction or change; it produces only equilibrium or limitations and the fuel to keep the social structure going.

4-8--2 Neo Marxist anthropologists:

There are two main streams of modern Marxist anthropology. The first is the French, dominated by figures like Godelier and Meillassoux, grounded in strict and detailed reading of Marx and careful discussion of its ideas. The second strain is an American variety, which is built on the work of Eric Wolf and based on Julian Steward's cultural ecology rather than in direct interpretation of Marx texts. (See annexe on Ecological anthropology).

Meillassoux argues that Marx concepts of exploitation, ideology and power can be applied for the understanding of societies which have no state or elaborate hierarchies. Kinship in these societies is a part of the political economy; that even in traditional egalitarian communities exploitation and domination take place. Meillassoux define a domestic mode of production, in which elder men exploit young men and women and control their labor force and fertility. The system of kinship is an ideological representation of these social relations. Elder men control bride wealth, lineages, and the marriages of their daughters. Where as in the capitalist mode of production, wealth is based in the control of property, in the domestic mode; wealth is based on the control of people. Control of economic surplus is achieved through custom and family connections, not through wages or tribute.

For the French Marxists, however, kinship was system of power, grounded of the system of control of labor. It was a major shift but the French Marxists tended toward the same kind of abstraction and devotion to structure and types found in British Anthropology.

This becomes clearer in the work of Godelier: *The Making of Great Men* (1986). The book is about The Baruya, a horticultural group of about fifteen hundred people in Highland New Guinea. They produce blocks of salt from the ashes of a kind of grass, which they use for trade. The thesis of the book is that there is no relationship between economic power and political power in this classless society. Some Baruya men become wealthy through their salt trading, gardening, and hunting, but they cannot convert their wealth into power and become chiefs. Instead, political power comes through success in war, through control of magic and ritual, and most of all through manipulation of kinship. Godelier considers that kinship is the source of all power differences in Baruya world. Rooted in a religion that gives most of the power of fertility to men, power is exercised as the domination of men over women through lineages rules and marriage exchange. The whole society is held together and given meaning by rituals and ideas of the sacred that bind people together into a social unity that overcomes their differences.

Godelier therefore owes as much to Durkheim as to Marx. The only thing , that makes his view Marxist at all is the attention given to power and exploitation , the presence of an economic base , and the idea of cultural evolution that seek types of societies based on the ways that politics and social organization control people and surplus wealth , Whereas Durkheim dissolves consciousness and the economy in society, and Marx submerges the individual in class, Godelier eliminates individuals and substitutes categories of gender, age and kinship nested in a web of religious ideas and supernatural power. People may act out of self-interest, but their interests, and even their idea of self, are a product of their social position and gender. All together, Godelier says, the social organization of the Baruya defines a type of society, where the economy is entirely dominated by kinship. The Baruya political economy appears as a frozen, integrated whole. All the social conflicts take the forms of contradictions between structures. Society is static. Any reference to an active human subject is considered.

The only time the economy becomes a dynamic element in the French Marxist scheme is when different economic systems come into contact with each other and articulate. Marx had an essential linear view of social change and though societies went a series of successive stages. Through the change of the modes of production, Rey and Althusser tried to build a more detailed and accurate world economic history.

Their basic plan was to define a series of precapitalist modes of production which are captured by capitalism today or are articulated with capitalism, as they have argued that in the modern world capitalism has not fully replaced the previous precapitalist forms. Instead, capitalism in the colonial era captured and transformed other economies, then turned them to its own purposes, while retaining some of their original features. (Articulation of the modes of production) Meillassoux, for example, demonstrated that the arrival of capitalism in West Africa did not cause the complete transformation of all previous social and economic systems. Rather, the development of colonial capitalism in each area was dependant on the exploitation of precapitalist

economies; capitalism therefore encapsulated and preserved precapitalist modes of production, exploiting them through trade and exchange. The end result is still one in which capitalism is dominant, and the other forms of production are determined by the way they articulate with capitalism. Nevertheless, Meillassoux made an important point: Societies that are not capitalists even those that do not use money at all - may still be part of modern world capitalist system. The French Marxists work on modes of production converged with another analysis of the global economy that is the dependence theory.

The French Marxists work on modes of production converged with the analysis of global economy and dependence theory. Integration to capitalism of peripheral economies creates dependency and poverty. In the 1940s the dominant philosophy of economic development was modernization theory. In this view, there was a single way from primitive to modern, a road for economic change that each country has to follow.

Dependency theorists made the unpleasant observation that the predicted transition was lasting an uncomfortably long time, that in fact in many parts of the world things were getting worse, not better. After the 1960s, it was becoming clear that the modernization miracle was quite a mirage. For Paul Baran, it was clear that modern countries, rather than paving the way for poor countries to follow, were actually blocking development and growth in the Third World, by systematically draining surplus and raw materials from these countries and instead of creating development, modernization created dependency and poverty. What anthropologists had been calling traditional societies were mostly a direct product of capitalism and had become a distinct peripheral variety of capitalism.

4-8-3 -The American school

The American Marxists have their intellectual roots in a native anthropological tradition concerned with the physical environment, with a strong empirical base in fieldwork. Julian Steward's version of cultural ecology that emerged after the World war II placed the productive economy within the culture core at the very base of the society. The rest of the society is functionally shaped by the necessity of survival and by the tools and technology that together constitute the subsistence system. Cultural ecology was ecological because it focused on processes of cultural change and the inter-connections between the human and the natural environment; it was neo-evolutionary in reviving earlier anthropological ideas about regularities in long term cultural changes and functionalist in its assumptions that culture took a particular shape because it improved efficiency and survival. But most cultural ecologists avoided rational choice theory; the logic of adaptation was not an individual form of maximization but operated at the level of the social system as a whole. Entire societies adapted to natural environments to improve the efficiency and stability of the system. Here was something similar to the Marxist approach, but without conflict, inequality, or the contradictions that Marxists think always drive social change.

Eric Wolf introduced elements of conflict and politics back into cultural ecology. Instead of studying the evolution and adaptation of isolated or ancient societies, Wolf was interested in long term dynamics when societies are transformed by modern capitalism. This work has produced intensive peasant studies.

The constant element at work in studies comparable to Wolf anthropology is the encounter between a global system of production based on wages, factories, or plantations and local economies grounded in locally controlled farming, crafts, and small scale industry. The American school is distinguished from the dependency theorists and French neo-Marxists by the way it depicts this encounter. The American school allows for a variety of outcomes, for resistance and accommodation as well as domination. Local cultures are not merely hapless victims; they fight back instead of being crushed, pushed aside, or encapsulated and exploited. One excellent example

is the historical approach of Donald Attwood's *Raising Cane* in western India. Attwood show how peasants took control of large scale sugar cane production. Far from being passive, these farmers were socially mobile and politically active. Attwood found a landscape of prosperous independent farmers who managed factories cooperatively.

Eric Wolf's Europe history and the people without history take American Marxism to a global scale. Like many anthropologists, he found dependency and world system theory too schematic and mechanical. Wolf showed that over 500 years period, capitalism itself took different forms and Western expansion dealt very differently with hundred of different cultures around the world, cultures that had their own distinct modes of production. But the driving force of expansion was essentially economic and the structures it encountered were defined by their systems of production. This is definitely economic history with the politics included, not cultural determinism or functionalism. Wolf recaptures the lost histories of collision between cultures. In the process, he moves economic anthropology to a global scale. He redefines the object of economic anthropology as the ongoing encounter between different kinds of economic systems, the struggles over the outcomes that define winners and losers, and the cultural consequences as reflected in people's minds and experiences.

On Wolf's global scale, history appears as conflicting forces, as modes of production colliding with each other across the landscape, and there often seems little room for human action. Groups have interests in seeking wealth and power, and in a general sense, people seem to know what is good for them, but we are never clear on who makes the decisions or what reasoning is going on minds. Many modern neo-Marxists are concerned with this problem, which has been labeled "structure versus agency" as Anthony Giddens's sociology has quoted.

Political economy clearly provides a powerful alternative to utilitarianism, but concerned with long term and global changes. However it cannot help us to understand pragmatic decisions in the way a utilitarian way can make.

Part 5 The Moral Human: Cultural economics

5-1-Moral Ideology and Symbols

One of anthropology's fundamental contributions to knowledge is that in every society, people believe that their own values take part of the natural order. Many economists believe that once people acquire moral values, they all use them in the same basis, predictable ways. It's a very different way of thinking that anthropology provides. Anthropologists are more likely to use notions as ideology and symbolism.

Ideology became a crucial concept in for modern sociologists and more recently in the work of Michel Foucault. Ideology always legitimizes groups in power, while concealing their direct interests. Modern states maintain order and discipline among citizens through ideologies that classify and regulate.

Symbols are another way to understand how culture affects the thought and behavior of individuals and groups. To a neo classical economist or a Marxist, the ultimate reason that objects and things are desirable is their concrete physical use and utility. The bias is these objects have intrinsic values and are in some sense ends. Symbolic anthropologists, in contrast thinks objects are desirable because of their meaning and not according to utility. But there is a lot of disagreement about the degree to which symbols affect thought and rationality. Victor Turner argues that symbol provides unique cosmological order in every society , that human make order out of a chaotic universe with symbolic structures and that symbolic structures shape both everyday behavior and ritual.

Given the difficulty of dealings with meanings and values that cannot be easily measured or even discussed, many economic anthropologists would just like the whole issue of symbols and ideologies to go away. Others have sought a middle ground, an economic anthropology which uses the anthropological concepts of symbolic culture and also looks at the practical behavior of making a living.

5-2- Max Weber: Rationality and History

Weber did not subscribe to any moral or utilitarian view of human nature, nor did he believe that there was a universal natural impulse behind all action. He identified a number of different human motives that were determined by context.

The specific spirit of a culture shapes its economic fortunes. Weber's idea that each group had its own values that gave its civilization an unique character is close to the modern anthropological concept of culture. What makes modern industrial capitalism unique in history, he said, is the extent to which rationalization has invaded and captured all human relationships, with the consequence above all, of the disenchantment of the world. Weber thought that the modern bureaucratic state is founded on utilitarian principles and impersonal legal ties between people destroying the worlds based on religious morality, personal relationships and kinship, even this ancient world was cruel and often unequal. These ideas are developed in *the protestant Ethic and the Spirit of capitalism*, explained with more details in another lecture

Protestant beliefs made capitalism as a system more efficient, rational and expansive. Weber's formulation of moral economy was the basis of early economic anthropology and remains a powerful theme in the work of preeminent anthropologists as Marshall Sahlins and Clifford Geertz.

According to Weber, the distinct economic behavior was clearly a product of history and culture, not of physical or mental capabilities.

Whatever the fate of Weber's historical analysis, his underlying model of human behavior demands close scrutiny; specifically his proposal that rationality is a product of a particular time and setting. His point of view is quite different from Marx. Marx thought indeed individuals were created in a particular historical context, but they held the potential for a class consciousness founded in the material realities of their life as producers and workers. Weber thought a whole society shared a set of values and ideas that transcended class or economic status. Per example, Weber believes that all Hindus, whether workers or owners, priests or peasants, share a basis set of beliefs about the world and its moral values and ideas that bind them together and make them act in very similar ways, in the home, at the temple, at the market. In Weber logics, economic behavior is therefore deeply embedded in culture and beliefs. In every society, economic acts are a product of personal, ethical, political and social considerations; only with capitalism does an abstracted and separated notion of rationality emerge.

In his work Weber establishes the differences between capitalist ideology and economic behavior of the peasants of the precapitalist societies. The spirit of capitalism is one of open competition and survival of the fittest. People make agreements with each other for individual advantage in the pursuit of wealth. In contrast, there are traditional peasants. They are so set in their ways and so limited by their conservative notions of what is right that they cannot respond to the profite motive. Why does the peasant behave this way? Weber's answer: It's their culture. They cannot make any sense of making more money, investing in production factors, they are irrational. They just want to live the life they have always led in their traditional families and institutions. This is not a matter of nature, but of ethos of medieval Christianity.

Generations of scholars have attacked the Protestant ethics. Most of his historical facts have been challenged. But many who rejected Weber's history still embrace his ideas about motivation and rationality. Like most anthropologists, he was striving for an explanation of the relationship between belief and behavior that would take in account individual people's subjective

understanding and experience. His answer was that religious interests and cosmology influence and shape concrete actions and social relationships and even mundane economic behavior. Weber moral economics is the basis of early economic anthropology.

5-3- Malinowski: The Kula

Malinowski (1884-1942) was never a central figure in the British functionalist social anthropology movement because he did not submerge the individual in society. Throughout his career, he was interested on psychology and individual motives, in finding the reasons people did things that were more direct than the structural functionalists' explanation that was to maintain the social structure. For this reason, he built his theory of behavior on human needs, not the needs of society but those of the individuals. He provided a list of needs, and the cultural responses that fulfilled them. He created a hierarchy of needs, some of which were basic and essential or immediate and cannot be replaced or substitute; others were secondary and easily satisfied in a number of different ways. He argued that no trait or custom could survive if it did not satisfy a need.

Because he was more interested in individual motives, he was more willing to debate with economists' rival theories of motive. His relation with economy was ambivalent. On the one hand, he fought to show that the exotic customs and practices as the famous Kula serve the economic interests and social functions of the Trobriand. On the other hand, Malinowski argued that the economists' idea about rationality being motivated by selfish and utilitarian materials needs was ethnocentric and did not work even when applied to modern capitalism.

This contradiction is basic in the moral economy model of human behavior. In one sense, Human are rational and driven by reasonable and universal human needs. In the other sense, the actual form of most needs is culturally variable and solutions to needs are dictated by customs. In Malinowski explanation of magic falls in the same mould; magic is the result of individuals' rational attempts to make sense out of things they cannot explain, in ways that satisfy their biological need for security.

Part 6 Franz Boas and followers: Economy as a culture

Boas believed that all humans have the same kind of rationality but he also thought that each culture was a tightly integrated system, which determined the behavior of individuals with an iron grip. But he considered that each culture was unique that can only be understood from the subjective perspective of those who share its spirit. Culture shaped behavior through the emotions and through habit. Actions that are repeated over and over become habits and therefore become unconscious. Thought, action and decisions are a product of culture according to Boas. Ruth Benedict' study of the Kwakiutl shows how much she thought economic behavior was determined by culture. Economic behavior was simply that part of tradition and habit concerned with production, exchange and consumption. Culture sets the goals, provides the rules, and keeps people the emotional rewards that keep them playing. The classical formulation of cultural economics for Boasians doesn't deny any autonomy to individuals, but this autonomy is constrained as behavior is only oriented to satisfy needs which are culturally programmed.

6-1 The question of rationality and culture:

A key term in the discussion is rationality. Microeconomics carefully defined rationality as a form of instrumental logic based on goal seeking and efficient allocation of resources. Social economics defines rationality at the level of the group, as effective class struggle or group survival. Moral economics do think there are universal mental abilities, but they differ on precisely what they might be. For some they include goal-seeking rational capacities to connect

cause and effect, to solve complex allocations problems, or to bargain. For others, the universal human capacity is to symbolize, categorize and communicate through language. The values and goals to use their innate rational capacities are entirely relative, the province of each unique culture. Modern cultural economics refers to this approach mixing some variant of symbolic anthropology and a moral model of human nature.

Melford Spiro illustrates clearly the logic of cultural economics in *Buddhism and economic action in Burma*. He observed in northern Burma that many poor Buddhist farmers and townspeople spend their meager incomes on things that seem, to many Western eyes, superfluous and useless; religious rituals, feasts for monks, and building elaborate pagodas. This expenditure is far to be irrational. Nor does it result from people following the doctrines of Buddhism of charity and submission to fate. Most of the people interviewed by Spiro were uneducated farmers or did not any basic tenets of Buddhism philosophy.

He said, the Burmese were rational within a particular cultural and economic context. First, they rely wouldn't be able to make a better living if they saved their money instead of spending on ritual. Second, life in Burma was risky and uncertain, so even if you become wealthy, you may be not able to keep your wealth. Third, even if most Burmese do not know Buddhist doctrine, they have absorbed Buddhist ideas about rebirth, karma, and building merit through charity all along their life. These beliefs are part of every Burmese moral worldview and cosmology. People consider rationally that that spending money on religion was a way to acquire prestige and respect, ensure an advantageous rebirth. In the Burmese behavioral environment, religious spending money and time is by far the more rational decision. To reduce Spiro's argument to his kernel, all human beings are reasonable, but their environment is shaped by culture and so are their perceptions, values, and desires. Here is the same argument that Malinowski has developed: one the one hand they are just rational as anyone else, but on the other hand, their rationality can be judged only within their own cultural context. In a certain sense everybody is maximizing something. Spiro adds cultural relativism, by arguing that people ideas about what is to be maximized and the possible actions that can be taken to achieve goals are determined by culture. Cultural economics tends to take the issue of rationality for granted, translating it in a very general sense of reasonable. How do we know that Spiro has not misinterpreted was he was describing and how he can affirm that it did not exist a better strategy; and since he rejects a comparable universal measure of value, how could we compare the return of different strategies. The problem with Spiro's cultural economics is that neither puts rationality into conscious minds and goal-seeking behavior of individuals. Malinowski said that the way Trobrianders thought about and explained their Kula trade has nothing to do with its rationality and social functions. Similarly, Spiro's informants have never told him that they spend their money on monks because it gave them a better return than buying land or other. Why to use rationality in that sense? Talcott Parsons put his finger right on another problem with this loose systems definition of rationality. He said it never manages to link motives with behavior in any concrete ways. Given Malinowski 'theoretical framework', culture is not changed or altered through the actions or decisions of individuals. It's a concrete structure of traditions and customs, a unique historical product that is changed only through the impact of external forces or through the adoption of innovations from other cultures.

6-2- Geertz and Sahlins:

Despite its logical problems, cultural economics has definitely been the thread that connects economic anthropology most clearly with the mainstream of modern sociocultural anthropology. Clifford Geertz is known for his view of culture as something alive and fluid that requires subjective understanding and thick description. Geertz relativizes always economic description.

He adopts a model derived from Talcott Parsons and through him from Weber. He recognizes that neither the Boasian model nor social functionalism can effectively account for social change. His solution is to separate culture from the social system. Culture is a set of ideas, whereas society is an observable ordering of people and behavior. However, their decisions are mostly how to cope with their culture and social organization, not with problems of economic gain or self-interest. *Peddlers and princes* is the most remarkable economic cultural Geertz's ethnographic study where he tries to oppose Javanese and Balinese as Homo Economicus and Homo Politicus. Economic growth causes different problems in the two settings. In the Javanese town, there is not enough cultural constraint on the economy, and there is not enough trust among people. The result is too much open competition and struggle. The Balinese town has opposite situation: too many limitations and obligations, which bog down enterprises and force them to become inefficient. Weber influence is remarkable. The more traditional cultures, in Weber sense, were hindered by their lack of capitalist spirit. However, Geertz never explains exactly how it is that culture makes some people entrepreneurial and leaves other subjects to tradition. Geertz's bottom line is that Balinese and Javanese cultures are very different. But if we follow Geertz until a logic conclusion, we come back to a conclusion that each culture has a unique historical identity that determines its development and change. This can either lead us back to a frustrating particularism; culture is the cause, and every culture develops from a unique past.

The problem with cultural economics is that once you make rationality relative and culturally embedded, you infer that all rationality is relative and conclude that no culture is more rational and that scientific, objective knowledge about other cultures is impossible. It is the path taken by the subjectivism of the post modern anthropology.

Marshall Sahlins is perhaps the theorists most responsible for pushing economic anthropology in that direction. For Sahlins, cultural categories of meaning come first; this in turn order people into social groups which are then projected on material objects and things. Any cultural ordering produced by the material forces presupposes a cultural ordering of these forces. The idea that self-interested people pursue economic interests is simply a smoke screen, the origin myth of capitalist society. Economics is just the dominant idiom of capitalism.

Sahlins says that Values are arbitrary, not universally grounded in labor and property. Value is symbolic, a system of signs with its own logic and order. Sahlins tells us that modern bourgeois capitalism merely collapses the cultural order into a material order; so the way economists think about the world is purely symbolic even though they are dealing with tangible things. Sahlins, with Malinowski and Weber, thinks that the symbolic aspect of cultural order is the most basic and that this is why it is revealed most clearly through the study of primitive economies.

7- Conclusion to Part 5 and 6:

A moral view of human nature says that people are essentially bounded by culture, their own culture, which defines the categories of action. People are *moral* in this sense, because they seek to conform to abstract principles of behavior that are deeply encoded in language and thought. This is not say that they always follow those cultural rules but only that they evaluate all behavior according to them. Moral humans neither follow their own self-interest nor do the interests of their group or class, except insofar as the rules of their culture allow it. Because culture creates the values and the categories, all human behavior, in this view, even economic, is a cultural product. There is no place in moral economics for underlying universal human impulses or universal rationality. Instead, the only basic human capacity is to understand and act in a world created through symbolic and metaphorical communication; all other human actions follow from this.

For a moral theory of human behavior, rules and categories of thought take priority over the physical measurable aspects of the world. This is perhaps the concept of the gift has been so

central in defining the cultural economic perspective in anthropology. The concept of the gift is powerful because it demonstrates that all values are produced through human relations and cultural conventions. Value is therefore not an inherent or intrinsic property of things themselves. Gifts are culturally an entirely different kind of substance from the alienable, independent commodities sold in the market place. We cannot understand their production with universal ideas of utility or scarcity. The gift has no inherent utility than can be separated from the relationships among the people who own it. It cannot be sold for money. It is often more valuable to a person after they have given it away than while they hold it. . But yet, people think about and use gifts in quite rational ways, and that rationality is discoverable by anthropologists, who can then explain to us the unique rules that make that society work.

Malinowski's Trobrianders gave gifts and practice magic, but still they had to eat, reproduce and find shelter. The more recent run of cultural economics have often forgotten that part and have acted like the only thing people do is communicate, symbolize, use metaphor, and construct personhood. Carried to its extreme, the culturalist position makes no sense. Culture cannot define everything. And the real issue that cultural economics cannot avoid, then, is how much culture determines.

Annex 1- Some complements on Peasants economics
Linked to Rural sociology
Peasants, economics, political economy

1-Introduction:

The economy study of farm families in developing countries has undergone formidable increases in its scope and complexity in recent decades. A bewildering array of theories now exist on household decision making , the working of rural factors markets , paths of technical change , the internal relations of the farm household , and the prospects for peasants in a capitalist world . A more specific economic conception of peasants is required.

2- Peasants, peasant societies:

It is probable that more than 25% of the world population belong to farm households. Most of this large population of humankind lives in the developing countries where they sometimes represent more than 70% of the whole population. Peasant populations are rarely prosperous, often precarious, and contain among them among them some of the poorest people in the world. The quest for a definition of peasant based on social characteristics which differ from other social groups is associated mainly with the field of social anthropology. A characteristic which is often stressed is that peasant societies in some sense represent a transition (Eric Wolf). Hence one of the best definition known definition definitions of peasants describes them as “part societies with part cultures”; meaning that peasants are part of larger societies but retain cultural identities which set them apart. Another strand places more emphasis on the inferior status of peasants within the larger social systems of which they are a part. These earlier writings in anthropology on peasants contain several ideas which are pertinent for the concept of peasants to be derived here.

The idea of transition is a very useful one because it injects a sense of history and change into the definition of peasants. Peasants are seen representing a transition from relatively dispersed, isolated, and self-sufficient communities towards fully integrated market economies. Transition implies change and adaptation but it must be stressed that the speed of change and its outcome are neither known nor determined in advance. Transition does not mean that peasants are here to-day and gone tomorrow; that they are inevitably and soon replaced by other, more modern, capitalistic farm enterprises. What does it mean is that peasants are never just subsistence or traditional cultivators caught in a timeless vacuum? Peasants come from somewhere, indeed they were often thrust out of where they were by powerful world forces outside their previous experience (e.g. colonialism) and they are undergoing a continuous process of adaptation to the changing world around them.

3- The peasant farm household:

The second point of entry to the definition of peasant is via its distinctive features as a farm enterprise. Here it is the dual economic nature of peasant production which is its central peculiarity. The peasant unit of production is both a family and an enterprise; it simultaneously engages in both consumption and production. This dual economic character of the peasant household has implications for its economic analysis.

Peasants here are defined as farmers who obtain mainly their subsistence by the cultivation of crops, although livestock may have varying degrees of importance within their farm systems. When referring to peasant households, landless laborers and other categories of rural dwellers are excluded from the definition. By defining peasants as farmers it is implied that they have access to the resource of land as the basis of their livelihood. An important attribute of peasants worldwide is the significance of non-market criteria in the allocation of land. In many peasant societies families have complex traditional rights of access to land and water which prevail over and constraint the operation of freehold market.

It is widely agreed that reliance on family labor is a defining economic characteristic of the peasant. Given that capitalist production is defined in part by the employment of wage labor and the separation of the ownership of the means of production from labor, the family labor basis of peasant farms is what distinguishes them from capitalists enterprises. This feature does not rule out the use of hired labor in say, peak periods of harvesting; nor the sale by members of the farm household of their own labor outside the farm on ad hoc temporary contracts. The predominance of family labor in production also has an effect on the working of labor markets in peasant communities, since various subjective criteria peculiar to individual households are likely to influence both the supply and demand for wage labor in the wider market.

Command over capital and its accumulation is a central attribute of capitalist production, as also is the notion of a rate of return on capital in the form of profit. Eric Wolf says runs a household, not a business concern. One problem resides in distinguish profits from returns to family labor given the dual production and consumption nature of the peasant household.

However, the most popular defining feature of peasants amongst economists is the subsistence basis of their livelihood. The degree of this subsistence is one reason why the integration into the market economy is only partial, but its significance should not overstressed in the context of the many other factors which enter the definition of peasants.

4- The economic definition of peasants:

So far we have defined peasants with respect to notions of transition, exposure to market forces, access to land, family, labor; ambiguity of profit and, typically, a significant element of subsistence production. These factors give peasants a definite identity with dimensions of history, change, society, economic activity, and use of resources. Thus, peasants are distinguished from other kinds of rural producers, from rural and urban workers, and from capitalist enterprises. They do not so far distinguish peasants from any kind of family farmer, whether a 3000 ha US grain farmer relying only on family labor, or an intensive dairy farmer in EEC.

What is lacking so far is an integrating concept, something which is common to all or many of the individual components, a concept which has theoretical value for economic analysis as well as descriptive content for evoking the image of a typical peasant. This integrating concept is the partial integration into markets of peasants and limitations in the operation of market principles in the peasant economy. In other words peasants are defined in part by their varying rather than total commitment to the market and by the incomplete markets they participate.

In economics market imperfection is a relative concept which is defined by comparison to a hypothetical ideal. Perfect competition emphasizes the neutrality of the price mechanism and its role as the arbiter of all economic decisions. There are many buyers and sellers in the markets for both inputs and outputs. No producer or consumer is able to influence the price levels by individual action. There is freely available and accurate information on market prices. In the perfect competition model, there is no coercion or domination by some economic agents. To varying degrees peasant society sometimes features non markets, or reciprocal, transactions between households.

In addition to partial engagement to market and reciprocal exchanges, the markets confronting peasants may be imperfect for reasons of low and uneven development of economic

infrastructure. Markets are not fully formed when they are spatially fragmented due to poor transport and communication. An important operative factor is here poor information.

For the peasant family generally:

- capital markets are fragmentary or non-existent, credit is obtained by local landlords, money-lenders at rates of interest which reflect the individual circumstances of each transaction, not a market clearing condition;
- information on prices of both inputs and outputs are not available at the nationwide basis or even the regional basis
- There is no freehold land market

5- The neoclassical theory of farm production:

5-1 Farm decision making:

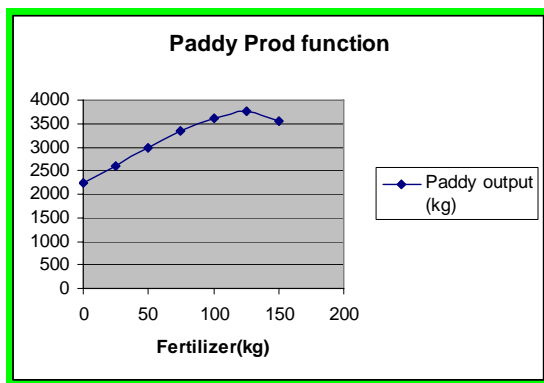
Three kinds of relationship between farm inputs and outputs are typically recognized as encompassing the economic decision making capacity of the farmer.

- The varying level of output corresponding to different levels of variable inputs (e.g. variations in maize yield resulting from different levels of nitrogen fertilization). This is called the production *function* or *input-output* relationship.
- The varying combination of two or more inputs required to produce a specific output (e.g. the different combinations of land and labor which could result in the same quantity of paddy production. This is called *factor-factor* relationship. It is also referred to as the *method* or *technique of production*.
- The varying outputs which could be obtained from a given set of farm resources. This is called the *product-product* relationship. It is also termed *enterprise choice*

The basic theory of farm production involves important simplifications with respect to the myriad of possible goals and constraints. The consumption side of the farm household is ignored. Only a single goal, which is of profit maximization, is explored. Only a single decision maker, the farmer, is permitted.

5-2 The production function:

In general the production function describes the technical or physical relationship between input and output. The same relationship can be described mathematically, either in a general form which says that paddy output is some function of different levels of a variable input.

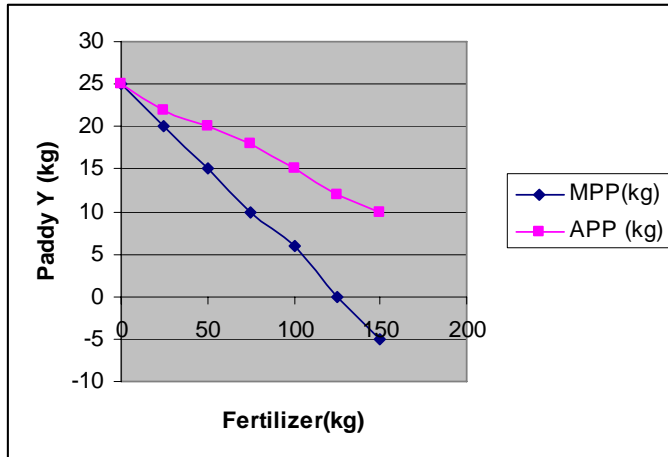


Here we have a quadratic function. An equation of this type is fairly common for describing the response of a crop output to fertilizer use, taking in account the law of diminishing marginal

returns. The production function summarizes a lot of information. There is a basis level of output, the technical maximum output which can be expected from application of fertilizer and third the shape of the curve is crucial. The marginal physical product can be expressed as the slope of the total product curve (Here Paddy Production function)

There is a measure of the productive given by the average physical product of the input

There is also a measure of the physical relationship between output and a single variable input, defined as the *input elasticity or partial elasticity* E.



$$E = (\% \text{ change in output}) / (\% \text{ change in input}) = \text{MPP} / \text{APP}$$

The area of diminishing returns on the production function occurs when $\text{MPP} < \text{APP}$, but is not negative, i.e. when $0 < E < 1$.

Production function may describe the relation between output and many production factors. But typically the concern is only with wit few variable inputs, other inputs and the state of technology being held constant.

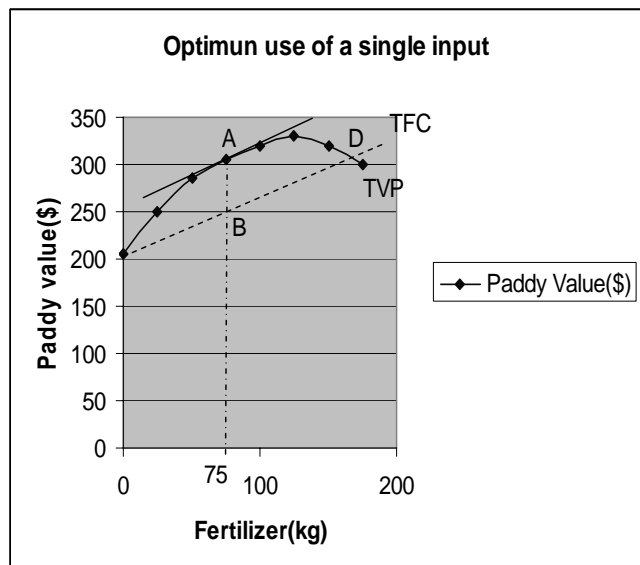
The function is written: $Y = f(X_1, X_2 \dots X_n)$ where $X_1, X_2 \dots X_n$ are variable inputs

The precise equation of the production function depends on the kind of input response under study and the degree of abstraction from actual production processes. However, all production functions may satisfy two conditions to make economic sense; the marginal physical product should be positive, and it should be declining. For these conditions have to be met the equation should have a positive first derivate ($dy/dx > 0$) and a negative second derivate ($d^2y/dx < 0$)

5-3 Economic optimum level of resource use:

The most efficient level of a variable input depends on the relationship between the price of the input and the price of the output.

TVP is total value product and TFC total Fertilizer cost



On the same way we calculate AVP, MVP: average value product and Marginal value product
Total factor cost simply traces out the cumulative cost incurred as fertilizer use increases. Each 25kg of fertilizer increases total cost by 25\$ and this is a linear relationship. The marginal factor cost can be traced in a similar diagram and describes the price of the variable input.

The economic optimum level of input occurs when the marginal value product of the input is equal to the price of the input. This is commonsense.

With the aid of simple mathematics this optimum level of a single input can be usefully expressed in several different ways. Defining:

P_x = price per unit of input X (i.e. MFC)

P_y = price per unit of output

Then $MVP_x = MPP_x * P_y$

At the economic optimum extra returns equal extra costs

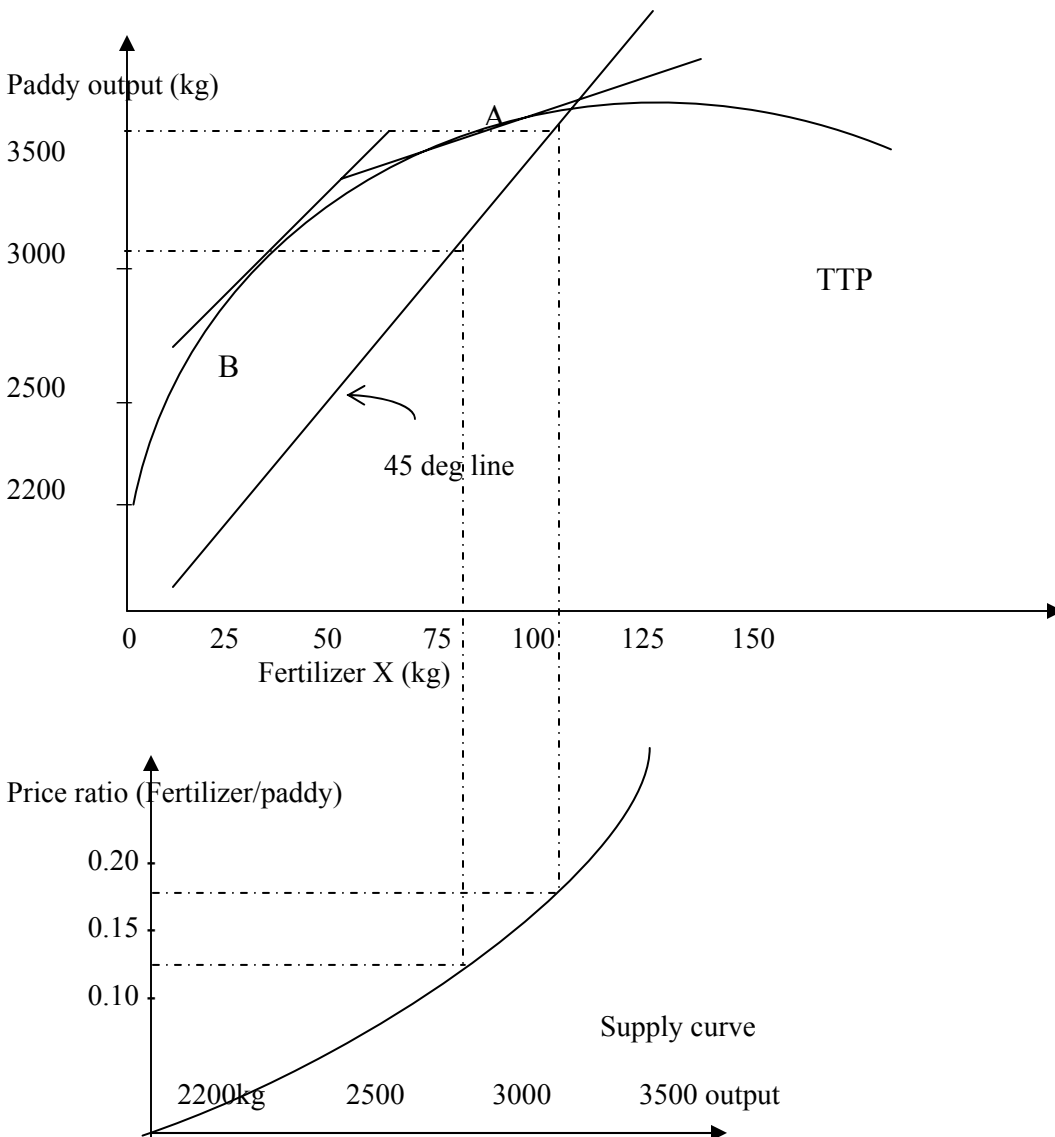
According to this previous relation, the optimum condition can be stated also: $MPP_x = P_x / P_y$.

The marginal physical product should equal the inverse of price ratio.

5-4 The impact of prices changes

Changing the prices between input and output alters the position of the economic optimum

If P_y falls, then P_x / P_y , the slope of the line which is tangent at A, rises. The line is steeper and gives a new tangency at a lower input level. The outcome of this for supply is shown in the following figure.



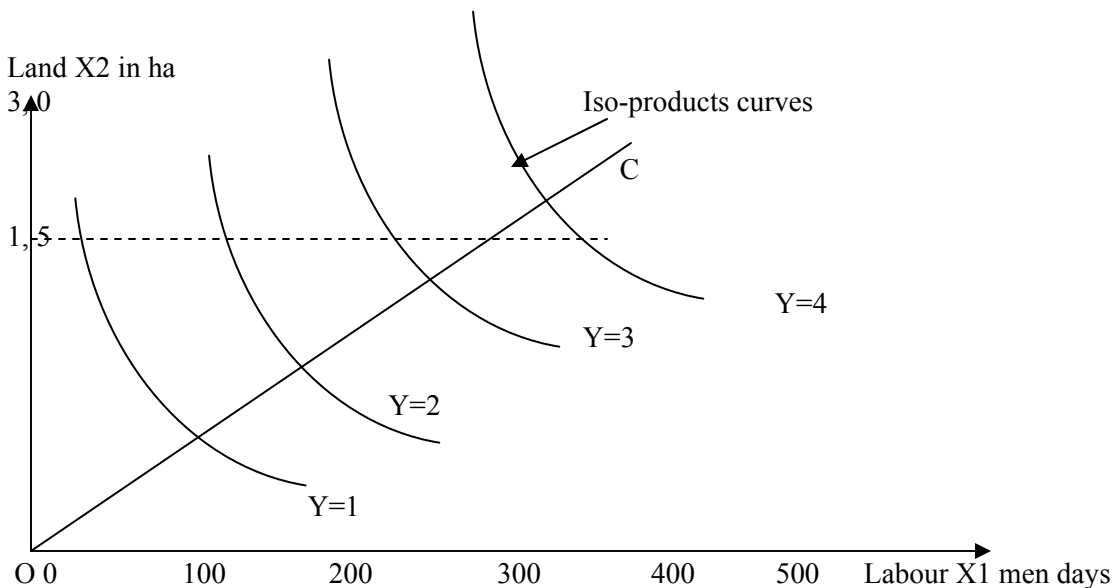
The supply curve is sloped upwards. Each equal increase in the paddy price achieves smaller increases in output. This is an evident corollary of the law of diminishing marginal returns. It occurs because ever larger fertilizers (at a given cost per unit) are required in order to obtain each extra unit of output as the marginal revenue (MR), and the increasing outlay on fertilizer required to obtain each extra unit of output as Marginal cost (MC), then the profit maximizing condition can be obtained as $MR=MC$.

The translation from $MVP=MFC$ to $MR=MC$ involves two different ways of expressing the same profit maximizing condition. The former condition focuses on the value of additional output (MVP) obtained from each unit of fertilizer, the latter on the cost of additional fertilizer (MC) required for each unit of extra output.

5-5 Substitution between inputs:

Even the idea of output response to varying levels of inputs yields some powerful conclusions about resource use in farm production; it does not adequately describe the interaction between inputs for the case of more than one input.

The idea that two or more variable inputs may be combined in different quantities to produce the same output is called the principle of substitution. It is also sometimes referred to as the law of variable factor proportions. It is the second major component of the neoclassical approach to farm production.



Variable factor proportions isoquants figure

Isoquants are just a graphical restatement of the production function

The slope of isoquant curve describes the quantity of input X2 (vertical axis) replaced by one extra unit of input X1. Isoquants have a shape which is convex to the origin. This means that the marginal rate of substitution, i.e. the slope of the curve, tends to diminish as more of one factor is used to replace the other. The diminishing marginal rate of substitution results from the principle of diminishing marginal returns: as substitution proceeds it requires more and more input X1 to a single unit of input X2 in order to maintain the same level of output.

One further aspect of the physical relationships shown in the previous diagram is the return of scale. Returns to scale are defined as what happens to output when both or all inputs are increased in the same proportion. The line OC represents those points for which the ratio of the two inputs stays the same as output increases. If isoquants representing equal successive increases in output are spaced equally along OC, this demonstrates constant returns to scale, i.e. an equal percentage increase in both results in the same percentage increase in output.

5-6 the optimum combination of outputs:

In economic terms, the optimum combination of inputs is determined by the ratio of their prices. Cost information can be represented as the previous isoquant diagram with a series of straight lines which are iso-cost lines. The slope of an iso-cost line is equal to the inverse ratio of input prices and it is negative.

The least cost combination of inputs, for a given level of output, occurs at the point of tangency between the isoquant and the iso-cost line which makes the tangent.

Mathematically, we obtain

If $Y=f(X_1, X_2)$ is the general form of the production function;

Each of the inputs in this production function is associated with its own marginal physical product, so that we have

$MPP_1=dY/dX_1$ and $MPP_2= dY/dX_2$

It works out that the inverse ratio of marginal physical products equals the marginal rate of substitution:

$MPP_1/MPP_2= (dY/dX_1)*(dX_2/dY) = dX_2/dX_1=MRS_{12}$.

But at the optimum point of marginal rate of substitution equals the inverse ratio of input prices, P_1/P_2 . Therefore the inverse ratio of the marginal physical products of each input equals the inverse ratio of their prices:

$MPP_1/MPP_2=P_1/P_2$ or $MPP_1/P_1=MPP_2/P_2$

In other words the optimum, least cost, combination of inputs occurs when the ratios of marginal physical products to unit costs are the same for all inputs.

5-7 Enterprise choice

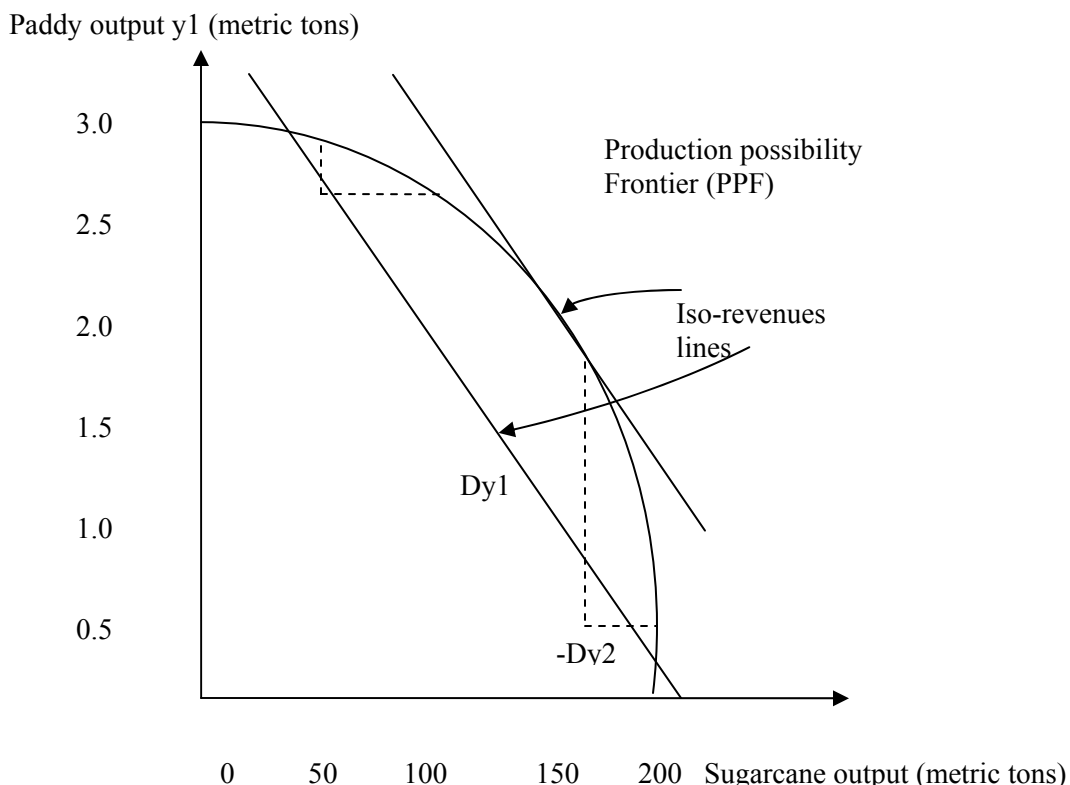
The other dimension of the farm production process which the farmer can vary is the pattern of farm output between different crops or livestock enterprises. The way in which this dimension is approached is to consider the combinations of alternative outputs which can be produced for a given set of resources.

The main consideration is that alternative farm enterprises are likely to compete with each other for a given availability of inputs. For examples, different annual crops may compete with each other for a fixed resource of a given quantity of land. Two crops which ripen at the same time may compete in term of labor at harvesting.

In a manner analogous to isoquants, a curve may be drawn which describes all the different combinations of paddy and sugarcane which can be grown with 300 man-days of labor. This curve is called the production possibility frontier (PPF), and it is an important component of the toolkit of farm production economics. The PPF represents the maximum product combinations for a given input level, which is why it is called a frontier.

The point at which the PPF hits each axis is the maximum quantity of each output which can be produced with the given amount of labor. The slope of the PPF measures the rate at which one output can be substituted for the other given the fixed level of the resource. It is the amount of paddy on the vertical axis (dy_1) which can be obtained by giving up one unit of sugarcane on the horizontal axis (dy_2). The slope $dy_1/-dy_2$ is negative since more of y_1 can only be produced at

the expense of less y_2 . The slope is called the marginal rate of transformation (MRT). It measures the increase in y_1 which results from a small decrease in y_2 .



Technical efficiency in production requires operation at some point on the PPF. Any point inside the frontier is inefficient in technical terms,

The economically optimum choice of enterprises is determined by the ratio of output prices. By now the logic of this should not be difficult. In addition to PPF, iso revenues lines which describe the different combinations of paddy and sugarcane are represented.

In the case of the production possibility curve we have two production functions relating two separate outputs to a single resource.

$$Y_1 = f_1(X_1) \text{ and } Y_2 = f_2(X_1)$$

The single variable input, X_1 , has two marginal physical products, one for each output:

$$MPP(y_1) = dy_1/dx_1 \text{ and } MPP(y_2) = dy_2/dx_1$$

The marginal rate of transformation of output Y_1 into output Y_2 has already been defined as:

$$MRT_{12} = dy_1/dy_2 = MPP(y_1)/MPP(y_2) = P(y_2)/P(y_1)$$

Therefore: $MVP(y_1) = MVP(y_2)$.

It is an important result. It says that the optimum choice of enterprise occurs when the marginal value product per unit of a variable resource is equal in both enterprises. This is called the principle of equi-marginal returns.

5-8 Opportunity costs and comparative advantage

A concept closely related to the economic choice of enterprise is that of opportunity cost. With a given technology of production and fixed resources at the farmer's disposal, the output of one enterprise can only be increased by withdrawing resources from some other activity.

The opportunity cost of any resource may be defined as the maximum income that the resource could have obtained in an alternative use.

One further economic principle which relates to choice of enterprise is that of comparative advantage. Comparative advantage refers to the physical resources best suited to the production of different crops and livestock which exist in different locations.

Both on-farm and farm sector comparative advantage may change over time due to changes in technology or new varieties, different equipments which alter the input requirements of alternative enterprises, land improvements, changes in relative input costs or output prices in different locations, changes in transport costs and development of substitute outputs

5-9 the linear programming approach:

Linear programming (LP) is an operational method for studying the allocation of resources between enterprises when inputs are limited in their total amounts or are otherwise constrained, for example, a particular area of land may be suitable for one type of crop but not others.

The general principle of LP is: the level of output is determined by the most limiting input, and this level of output in turn determines the level of use of other inputs.

The solution of the maximization problem in LP implies an implicit value per unit of each resource to the farmer in the region of the profit maximization position. This implicit value, which is termed the *shadow price* of the resource, measures the addition to total farm revenue which would result if one more unit of a limiting input were made available. The shadow prices are equivalent to the MVPs of the conventional theory. They are obtained by the solution of what is called the dual of the maximization problem.

6- Elements of peasant political economy:

The approach which lends some theoretical coherence to a wider conception of peasants is that of Marxian political economy.

Both theories: Marxian and neoclassic set out to analyze the same economic system: the market economy even they do so from entirely different point of entry and methodology.

- a) the starting point of neoclassic economics is the individual economic unit. The starting point of Marxian political economy is society as a whole.
- b) the neoclassical approach separates the economic from the social and political and hives off the last two to other disciplines

The central debate in Marxian theoretical work on peasants concerns the sustainability of peasant forms of production within the dominant capitalist mode of production.

The classic Marxist position, as set out by Lenin, is that the pressures on peasants created by capitalist production relations must inevitably result in their disappearance as a distinct form of production. The process by which this occurs is social differentiation, in which peasant communities are predicted to disintegrate into the two social classes of capitalist farmers and rural workers. The reasons this may happen are manifold, but they include such factors as the institution of private property in land, the differential adoption of improved cultivation practices, the enforced abandonment of their holdings by peasants unable to compete in the market.

Some writers have considered this is not just an inevitable process under capitalism, but also required process in order for the agricultural sector to make a proper contribution to economic growth.

An opposing line of reasoning is that family farm production, of which peasants comprise a major type, possesses an internal logic which permits it to resist the pressures of capitalist production relations and thus to reproduce itself indefinitely.

Components of this position include:

- a) the capability of peasants to maintain their needs of simple reproduction due to their control over means of production, especially land;

- b) the social norms of peasant communities which are directed towards reciprocity rather than individual profit maximization (the moral economy of Scott)
- c) Demographic factors in the life cycle of peasants families from one generation to another which oppose the concentration of land in hands of a few farmers due to the subdivision of land on inheritance.
- d) the capacity of peasants to overcome market pressures by intensifying the amount of labor committed to production
- e) Natural or technical factors specific to farming which make agriculture unattractive to capital (climate insecurity, length of production cycle, high risk of production)
- f) functional advantages for capitalism from leaving agriculture in the hands of peasants
- g) Other flexibilities possessed by household production with respect to cropping patterns, labor use, and sources of income between farm and off-farm activities.

One of the theories of this position in a non-Marxian model of peasant household behavior which stresses the simple reproduction motivation of peasants linked to demographic factors internal to the farm household. This is Chayanov's model of peasant economy. As an explanation of the stability of peasant society it relies heavily on the assumption that the goal of peasant households is simple reproduction rather than profit maximization. This ensures that capital accumulation, which would be almost bound to occur unevenly between farmers over time, does not take place.

7- Peasants and the state

The role of the state is played down in much of the writing on the political economy of the peasants. This originates in part from the orthodox Marxist view that the state is merely an apparatus for oiling the wheels of capitalism, namely for providing the legal and institutional apparatus to enforce private property rights and legal contract, and for providing public goods and services (utilities, roads, telecommunications, etc...) which are too large and diffuse in their spread for private capital itself to handle. Likewise free markets economists often advocate a minimum role for the state in the economic life of society.

This view of the state is misplaced in the context of societies with large agrarian populations obtaining their livelihood from peasant production. A common situation is one of the powerful central state drawing its support and legitimacy from a small minority of the population with a foothold in the more advanced sectors of the economy (or the military), and with no effective representation of its peasant population. In extreme cases where the development of capitalist production relations is weak and uneven, the state itself as a social group of bureaucrats and politicians) may not have the material basis to survive unless it extracts large surpluses from its peasant populations.

It is therefore not only capital and market relations that external economic pressures on peasants can arise. To be sure the state often plays a role oriented to the interests of particular representatives of capital, for example by altering the legal basis of tenure in order to make land available for large scale productions., by creating markets channels which favor some purchasers above others, or by acting as intermediary in contracts between external corporations and internal peasants, but this is not the only guise in which the state may operate.

It is also possible, and indeed common, for the state to override or substitute for market forces. It does this when, for example it fixes the price itself of the inputs and outputs of farm production, establishes exclusive channels for the handling of farm commodities, insists on peasants growing particular export crops, or encourages them to use more purchased inputs financed by state loans.

8-The theory of the optimizing peasant

8-1 The profit maximizing peasant:

It is over four decades since the American economist, T.W. Schultz, advanced the celebrated hypothesis that farm families in developing countries were efficient but poor and thus there comparatively little significant inefficiency in the allocation of factors of production in traditional agriculture. This hypothesis had a lasting influence on the perceptions of economists about peasant decision making. Its plausibility, limitations, and policy implications remain of central interest to peasant economies.

The proposition that peasants are efficient ascribes to the peasant household the motivation of profit maximization. Efficiency and profit maximization are two sides of the same coin; at the level of the individual production unit you cannot have one without the other. The strict definition of economic efficiency also requires a competitive market, since neither the individual production unit nor the sector can attain efficiency if different producers face different prices or if some economic agents can influence the prices and returns of other economic agents.

At first sight these conditions would seem to rule out the discussion of efficiency in the context of peasants. By our definition of peasants their partial engagement in usually imperfect markets: strict economic efficiency is ruled out.

There are however several valid reasons for examining what are meant by economic efficiency in the study of peasants. There are virtually no aspects of peasants' economics which are not touched in one way or another by considerations of efficiency

- a) the household theories
- b) ideas about the contribution of peasants to economic growth
- c) arguments in political economy about the persistence of peasant production and its ability to compete with capitalist enterprises in farming
- d) a parallel argument in neoclassical economics concerning farm size and economic efficiency
- e) Most short and medium term economic policies designed to increase output in the peasant sector

We begin by looking closely at what is meant by economic efficiency at the microeconomic level. This then leads into the methods used to substantiate the efficient peasant hypothesis from sample surveys of farmers

Three points of clarification have to be made.

First, the profit maximizing hypothesis does not require the existence of profit in the form of a sum of money. Second, profit maximization has both a behavioral content (motivation of the household) and a technical economic-content (farm economic performance as business enterprise). Third, even if the nature of peasant economy inhibits the attainment of efficiency in its strict neoclassical sense, this does not mean that a strong element of economic calculation cannot exist in the context of the multiple goals and constraints of the farm household. Thus partial or constrained profit maximization may exist even if strict efficiency is not observed.

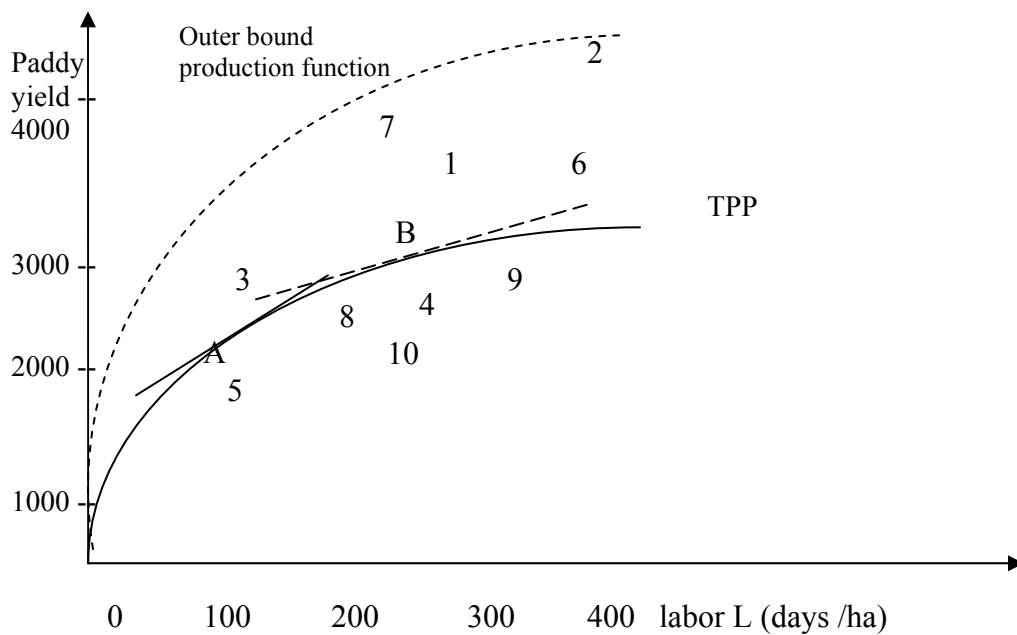
We define: *technical efficiency*, as the maximum attainable level of output for a given level of production inputs, given the range of alternative technologies available to the farmer.

Allocative efficiency, by contrast, refers only to the adjustment of inputs and outputs to reflect relative prices, the technology of production already having been chosen. These adjustments are the familiar marginal conditions for profit maximization, i.e. that marginal value product (MVP) should equal marginal factor cost (MFC) for any single variable input, and that MVP per unit of an input should be equal across different outputs (the principle of equi-marginal returns). Some writers prefer to use the term *price efficiency* to describe allocative efficiency.

The realization of these two efficiencies is sufficient to achieve *economic efficiency*.

Our concern is with the investigation of peasant efficiency. The main method which has been used for tackling both these dimensions of peasant efficiency is to estimate a production function for peasant farms i.e. to obtain an equation which links farm output in a specific way to a series of inputs. Data are collected from a sample of farms for outputs and inputs. From these data an estimate of the production function (by regression analysis or other polynomial method, or identification of a Cobb-Douglas function, 35 doublets at least) is obtained. This estimated production function is used to discover the marginal physical product (MPP) for each resource used in production. The level of the marginal physical product which is of interest for the peasant efficiency hypothesis is the average level at which farms in the sample are operating.

8-2 Estimating a production function from sample farms



At point A the average uses 110 days of labor to obtain 2250 kg. The average is 20.5 kg of paddy, and the marginal physical product i.e. one more labor day is about 7 kg in A. Given data on the price of the input (the wage rate per hour) and the price of output, we are then in a position to see whether our average farmer in the sample achieves allocative efficiency.

$MPPI = w/p$; $MPVI/w = 1$; i.e. the marginal value product of a variable input divided by the input price should equal one if allocative efficiency is being observed. This ratio is often referred to as the allocative efficiency ratio (k) for a single input, where $k = MVP_x/P_x$ for any variable resource, X . Thus the focus of empirical studies on peasant efficiency centers on the estimated value of k . Note that even if the allocative efficiency condition is satisfied at point A, it requires something of an act of faith to assert that this proves that the peasant farmers in the sample are efficient.

Agreement on this finding is not unanimous, however. Doubts of a statistical nature surround the range of the allocative efficiency ratio, k .

8-3 Technical efficiency

The production function approach to testing the efficiency hypothesis ignores the technical efficiency aspect of the overall concept of economic efficiency. The spread of the scatter of sample farms suggest an outer bound production function, which represents the true efficient frontier for the sample of farms. However it is impossible to argue that farmers which far or near this frontier are technically inferiors to others.

8-4 Implications for policy aspects

The implications for economic policy of the theory of the maximizing peasant depend on the degree of acceptance of the various components of the efficiency hypothesis.

- a) If the hypothesis is agreed, it means that peasants move in pure competitive markets; within the limitations of their technology, then the only way of achieving increases in output is to change massively the inputs or their technology. It excludes the potential low cost adjustments leading to improve output and incomes for farm families
- b) If the efficiency is constrained by imperfect markets, including lack of knowledge of the best technologies available, then the emphasis of policy shifts to improving the working of the markets and diffusion of information on production technologies as widely as possible.
- c) An alternative will change their production methods and will promote innovation as well credit and subsidies fertilizers or others.
- d) If the allocative efficiency is accepted but the technical efficiency part is rejected then there exists scope for improving the technical efficiency of individual farms up to the level of the best farms in the community, or to some other standards. This approach emphasizes farmer education , training and extension work

9 - The risk-averse peasant:

9-1 Uncertainty and peasants:

It is widely recognized that a high level of uncertainty typifies the lives of people in peasant economy. This uncertainty is more pervasive in tropical countries where variations of climate are more unpredictable and tend to be more severe in crop yields. Also markets are more unstable where information is poor. Insecurity of poor farmers due to their low social and economic status is important in some countries; insecurity due to the vagaries of state action is important in others. The pervasiveness of various kinds of uncertainty in peasant production has important implications for its important implications for its economic analysis.

9-2 Risk and uncertainty

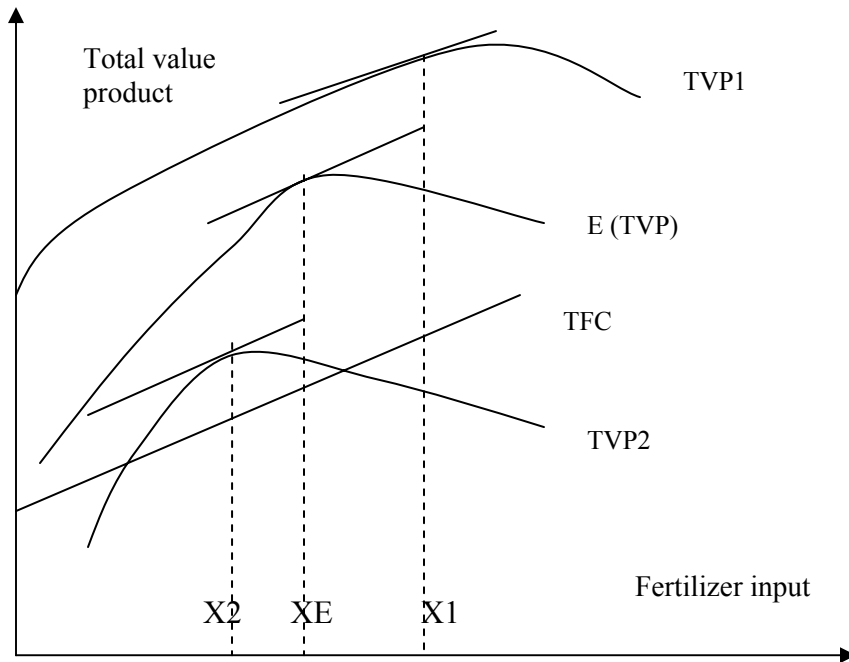
The reader may have noted that the word risk has largely been used in the literature. But risk and uncertainty are not perfectly interchangeable in the context of economic analysis; risk has a rather precise meaning which is distinct from the descriptive sense of uncertainty. Risk is restricted to situations where probabilities can be attached to the occurrence of events which influence the outcome of a decision-making process; for example, if a drought occurs on average in two years out of five, the probability of a drought is 0.40.

Uncertainty refers to situations where it is not possible to attach probabilities to the occurrence of events. The likelihood of their occurrence is never known by the decision maker or by anyone else.

Current practice in the economic analysis of risk is not based on this notion of objective risk. It is pointed out that in most decision situations what is relevant is not the assumption of superhuman knowledge concerning the likelihood of uncertain events, but rather the decision maker's personal degree of belief about the occurrence of events. Thus in the example of pattern rainfall what is important is not the known past average occurrence of drought but rather the farmer attitude about the likelihood of drought. This changes the analysis of risk and uncertainty from an objective to a subjective matter, with the consequent changes in the definition of risk and uncertainty: risk refers to subjective probabilities, uncertainty refers to the character of the economic environment confronting peasant farm households, an environment which contains a wide variety of uncertain events to which farmers will attach various degrees of risk, according to their subjective beliefs of the occurrence of such events.

9-3 Analysis of risk behavior:

9-3-1 Production under risk



The previous graph shows the implications of risk for the neoclassical economic model of farm production. The responses curves to inputs are related to good and bad years may be according to the rainfall pattern. They are TVP curves, so that features and losses are clear

TVP1 is the response on a good year, TVP2 in a bad year.

E (TVP) = the expected total value product given the farmer subjective views about the likelihood of occurrence of good and bad years.

For instance, if the farmer expects 3 years out of every 5 years to be good, hence the probability and calculation of the expected total value are

$$E (TVP) = 0.60 * TVP1 + 0.40 * TVP2$$

In risk analysis TVP1 and TVP2 are described as states of nature. Lack of rainfall induces very bad results whatever the amount of fertilizer input (TVP2). TVP1 represents the response to fertilizer when water has no limitation.

Risk aversion is a strategy among different alternatives, but disaster avoidance is a general strategy for poor farmers.

Economic rationality in the pure neoclassical sense demands that the farmer should operate at the point where $E(MVP) = MFC$ (expected marginal value product = marginal factor cost which is the price of fertilizer). Instead of this the risk-averse farmer operates at the position where $MPV2 = MFC$. This ensures the household consumption needs are covered in all seasons, even though profit is not being maximized except in bad seasons. The consequence is that the expected marginal value product is well above marginal cost: the optimum level of resource use is not being followed and profit is not being maximized.

9-4 Expected utility and decision making

The treatment of risk aversion as being based on the decision maker's personal strengths of belief about the occurrence of uncertain events and his personal evaluation of potential consequences is firmly rooted in the economic concept of personal utility maximization. The meaning of utility maximization is that individuals are considered to make decisions consistent with their personal objectives, and therefore to maximize their personal welfare or happiness.

In the case of the subjective assessment of uncertain events the individual maximizes expected utility, referred to as $E(U)$, given her beliefs about events and outcomes.

Say, you face a choice between a) being given a sum of money of 500 \$, or (b) taken a chance on the toss of a coin to have 1200 \$ or sustain a loss of 100 \$. The alternatives you choose depend on the appreciation of the risk. Most of rational people will accept 500 \$ and, doing so, would reveal them selves to be risk-adverse. This because the objective average of the chance, called expected money value is at 550 \$, larger than 500 \$. 500\$ is your certainty equivalent: it is the amount that would make you happy or indifferent, to taking the chance on two widely different outcomes

Obtaining a grasp of decision theory is facilitated by a device called a decision tree

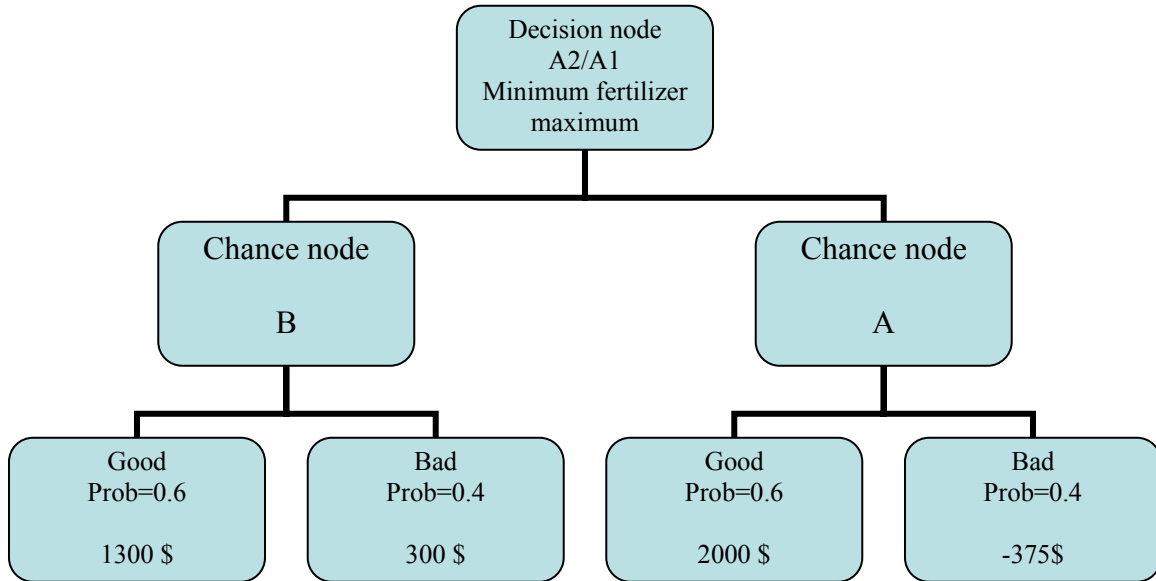
Acts: set of alternatives actions a_1, a_2, \dots, a_n between which a choice has to be made.

States: These are the uncertain events or states of nature which may occur or influence the outcome of whatever decision is taken. S_1, S_2, \dots, S_n are mutually exclusive.

Probabilities: these are the degrees of belief held by the decision-maker about the likelihood of each state occurring

Outcomes: the decision between different strategies or acts leads to different outcomes

Choice criterion: the criterion is the maximization of expected utility



Solution procedure: The solution method starts from the bottom and works up towards the decision node.

It consists of calculating the EMV (expected money value) of the outcomes of each chance: in this example it is 900 \$ for node B and 1050 \$ for node A. Eliciting from the farmer the certainty equivalent net income which corresponds to the risky income of each act. Here the risk adverse is for A1 of 850 \$ (< 1050 \$, an income which yields the same utility as EMV) and a risk neutral of 900 \$ for A2, indifference). Rejecting A1 the farmer would maximize utility A2.

The outcome of risk-averse decision making is different to profit maximization. Risk aversion declines as wealth or income rises

10- The drudgery-averse peasant:

10-1 Peasants as producers and consumers:

The theories of peasant household behavior examined so far, profit maximization and risk aversion, take no account of the consumption side of peasant decision making. This is an important gap. It brings up to the observation of Eric Wolf that peasant are running a household, not a business concern.

A central consideration in the construction of more complete theories of household behavior is to achieve a more accurate representation of the multiple goals of the household, the interaction between goals, and the impact these have on the response of the household to changing circumstances. In the profit maximizing theory, there is only one goal, and economic responses are predictable provided that the assumptions of the theory are roughly met. In the risk-averse theory the single goal is modified, but not abandoned, and again responses are predictable subjects to the impact on them of subjective responses to uncertainty. In the full household theory the pursuit of various different goals in consumption may result in variable or unpredictable responses to different kinds of economic or social change.

10-2 Revision of indifference curve analysis:

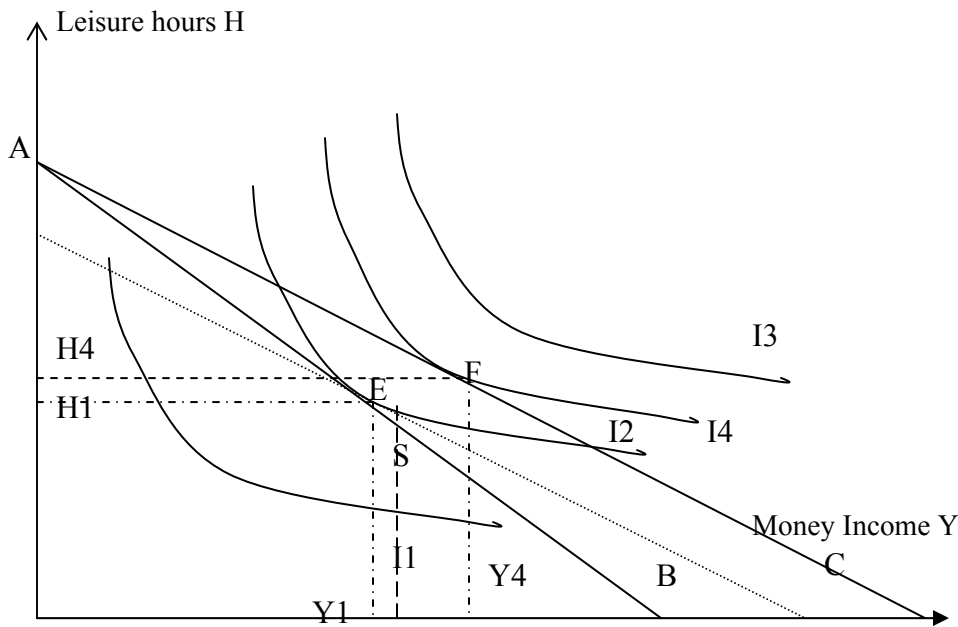
The basic approach is shown in the following figure. We use the concept of indifference curves as consumer theory use to describe a given level of utility (personal happiness).

A set of indifference curves, I1, I2, I3, describe successively higher given levels of personal happiness which can be met by alternative combinations of leisure and income. These indifference curves are convex to the origin because the consumer is assumed to experience diminishing marginal utility as consumption of either leisure or income rises. Thus if a given level of utility like I2 is considered, a relatively large amount of leisure (H) would be sacrificed for a small gain of income (Y) towards the top-left of the curve (low marginal utility of leisure, high marginal utility of income), and only a small amount of leisure would be sacrificed for a large gain of income towards the bottom right of the curve (high marginal utility of leisure, low marginal utility of income).

The slope at any point one of these indifference curves represents the marginal rate of substitution (MRS) of income for leisure. This slope is negative: the indifference curves slopes downwards from left to right, and the slope can be expressed either as the amount of leisure which would be foregone for a small increase in income ($-dH/dY$) or as the inverse ratio of the marginal utilities of income and leisure (MU_y/MU_h). Thus in simple notation:

$$MRS_{y,h} = dH/dY = MU_y/MU_h$$

Given a line, AB, which describes the rate at which leisure hours, can be



converted into money income at a given wage rate per hour (this is the income constraint and is the equivalent of the budget line when the choice is between two goods), then the consumer maximizes the utility at the point of tangency of this line with the highest attainable indifference curve. This is given by point E, implying a leisure level of H1 hours and a total of Y1 money. The slope of the income constraint is given by the inverse of the wage rate, $1/w$. But OB is simply OA multiplied by the wage if all available hours are used for work instead of for leisure, hence the slope is $OA/(OA*w) = 1/w$. The utility maximizing position occurs where the slope of the indifference curve and the slope of the budget line are equal i.e. where:

$MU_y / MU_h = dH/dY = 1/w$

The same figure considers the effect on utility maximization of an increase in the level of wage. A wage increase has the effect of increasing the amount of income which can be obtained from each hour worked; hence it changes the slope of the income line from AB to AC, implying a maximum income of C if all available hours were devoted to work rather than leisure. This places the consumer in tangency with a higher indifference curve, I3, at point F.

An important feature of this analysis is that it is not possible to infer on a priori grounds the precise position of the new optimum point F.

The movement from E to F can be divided between a substitution effect and an income effect of the wage increase. The substitution effect, which is shown at S on the old indifference curve, tangent to a line parallel to the new wage line AC, unambiguously reduces hours of leisure and increases income as a response to the increase in wage rate. However, the income effect of the wage increase (the movement back onto AC) works in the opposite direction. An increase in income raises the demand for leisure, unless leisure is an inferior good. Thus the income effect normally tends to counterbalance the substitution effect, and depending on how far it does so the indifference curve I4, could be located so that the new level of leisure at H4 were either or higher than the old level at H1.

10-3 The Chayanov farm household model:

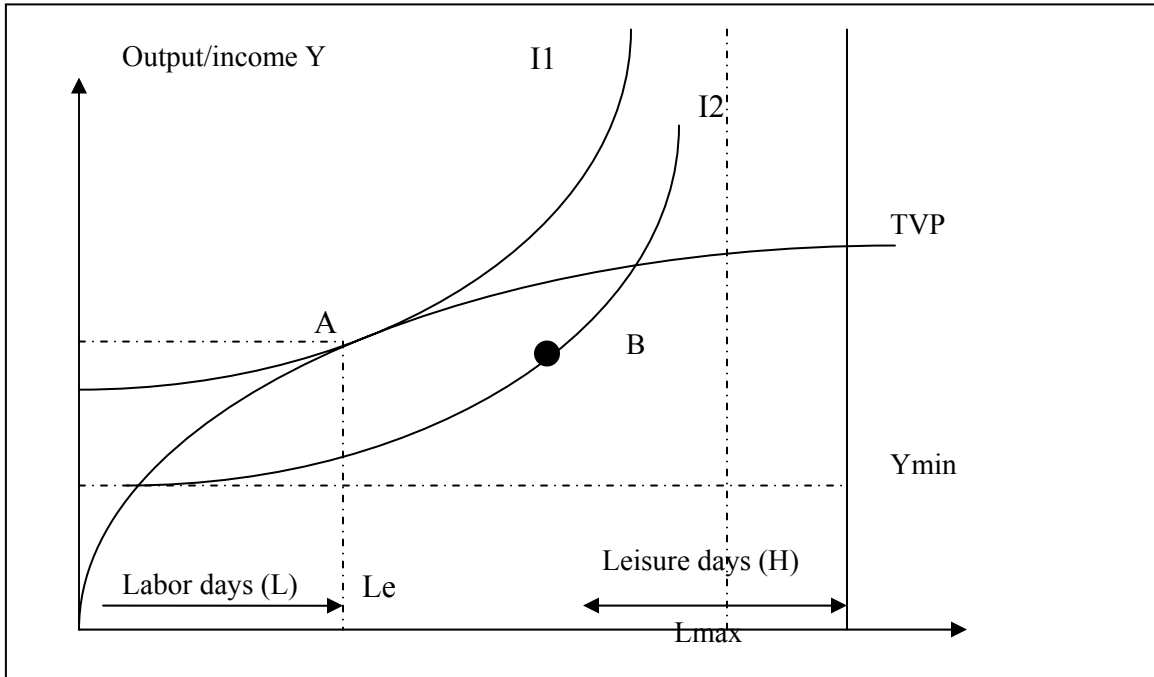
The economic model of household decision making considered in this section is consistent in most respects with the analysis of peasant household behavior first analyzed by Chayanov, a Russian economist.

The Chayanov peasant model is a theory of household utility maximization. It focuses on the subjective decision made by the household with respect to the amount of family labor to commit to farm production in order to satisfy its consumption needs. This subjective decision is seen as involving a trade off between the drudgery of farm work (utility versus disutility of work) and the income required to meet the consumption needs of the household (utility of income). Another way this may be stated is that the household has two opposing objectives: an income objective which requires work on the farm, and a work-avoidance objective which conflicts with income generation.

The main factor influencing this trade-off is the size of the peasant household, and its composition between working and non-working members; in other words, *the demographic structure* of the household. This factor is summarized by the ratio of consumers to workers called *c/w* ratio. The predictive power of the Chayanov model rests almost entirely on its demographic aspects, making it in effect, a demographic model of the household decision making. In the meantime, however, its key assumptions as a microeconomic theory of peasant household behavior can be listed as follows:

- a) There is no market labor, i.e. no hiring of labor by the household or wage work by family members outside the household;
- b) Farm output may be retained for home consumption or sold in the market, and is valued at the market price;
- c) All peasant households have flexible access to land for cultivation;
- d) Each peasant community has a social norm for the minimum acceptable income per person, and thus, by implication, the household as a unit has a minimum acceptable consumption level.

The central elements of Chayanov's theory of peasant household behavior are depicted graphically: Chayanov model of the farm household



The gross output of the peasant farm, which equals gross farm income, is measured on the vertical axis. Since there exists a market for output this income is expressed in money terms. The horizontal axis measures the total labor time available to the household, which is determined by its number of workers. This total time can be allocated either to farm work or to other activities (leisure). Thus the number of days committed to farm work is measured from left to right, OL, and the number of days engaged in other pursuits is measured in the opposite direction, from work, from right to left, LO.

The model contains both production and consumption aspects of household decision making. The production function (TVP curve) displays of diminishing marginal returns to labor. Moreover since output and income are synonymous the TVP curve can be described as a family income. In production function notation:

$$Y = P_y * f(L)$$

Or, in words, the total income of the family is a function of the market price of output and the labor input.

As set out in the graph this production function does not capture the flexible land access which is an important part of Chayanov theory. The impact of flexible access to land is to defer the onset of diminishing returns as labor use increases, since extra labor is combined with additional rather than fixed land. In other words the production function may have a linear or near linear portion (constant marginal return) before diminishing returns set in. While this aspect should be kept in mind for interpreting the previous diagram, it does not affect the logic of what follows.

The consumption side is represented by a set of indifference curves, I1, I2, describing given amounts of total utility provided by alternative combinations of leisure and income.

These indifference curves are convex towards the origin at L since leisure is measured from right along the horizontal axis.

In utility function notation:

$$U = f(Y, H)$$

Or, in words, the utility or happiness of the peasant household is a function of income (Y) and leisure (H).

Any point on an income –leisure indifference curve, say point B on I₂ describes the subjective value placed by the household on work at that point. The slope of the curve at a point like B, describes the amount of income, dY, which the household would need to gain in order to compensate for the loss of one unit of leisure, dH: in other words it is the household's subjective wage level.

The range and relative level of this subjective wage, as indicated by the slope and position of the indifference curves, is constrained, on the one hand, by the requirement that the farm household meets its minimum acceptable standard of living (given by Y_{min}) and on the other hand, by the maximum number of full working days which it is physiologically feasible for workers members of the household to perform (given by L_{max}). Both these are again determined by the demographic structure of the household – the first by family size, and the second by the number of workers in the family.

The existence of these constraints affects the shape of the indifference curves at the extremes. Towards the bottom left any indifference curve hitting the minimum consumption curve will become horizontal at that level: the marginal utility of leisure becomes zero (no amount of leisure could compensate for a fall in income below this level). Similarly, towards the top right the indifference curves will tend to become vertical: the marginal utility of income tends to zero. The equilibrium position of the farm household is given by the point of tangency of the production function to the highest possible indifference curve of utility which can be achieved given the technology of production. This occurs at point A. At this point the marginal product of labor (MVPL) equals the subjective value of labor time (dY/dH), i.e. the amount of income required to compensate for the loss of one unit of leisure.

Thus the way the economic problem of the peasant household is formulated in the Chayanov model is maximize utility subject to three constraints

- a) the production function
- b) the minimum acceptable income level
- c) the maximum number of working days available

In simple notations:

$$\text{Max } U = f(Y, H)$$

Subject to $Y = P_y * f(L)$ with $Y \geq Y_{\min}$ and $L \leq L_{\max}$.

Like a linear program.

Assuming that it is the production function which is binding, the solution of this problem occurs where the marginal rate of substitution of leisure for income (the subjective wage) equals the marginal value of labor

$$MU_H / MU_Y = dY/dH = MVPL$$

Note that this theory is not the same as a target income hypothesis, which crudely supposed fixed aspirations on the part of the household. The Chayanov model does not involve a fixed consumption target, but it does embody the notion at the margin, when the consumption norms of the family have been met, the disutility of additional work is high relative to the utility of additional income.

One further interesting feature of this model is that the degree of subsistence of the household, i.e. the proportion of farm output which is retained for household consumption, has no influence either on the slope of the income-leisure curve or on the equilibrium output and labor use of the household.

The importance of family size and family composition for this theory of peasant decision making is evident. Between them they define both the minimum level p of output, and thus for the peasant community as a whole their average levels determine the lower and upper limits of the

volume of economic activity. And it is in this subjective nature of the microeconomic equilibrium of the household that Chayanov detected what he regarded as a unique economic calculus of peasant households which made them quite distinct from capitalist enterprises.

The demographic character is also emphasized if we consider the impact on equilibrium output and labor use of a change in the production function. The production function may be altered by changes in other resources which combine with labor for production, changes in technology, and changes in the market price. However, the impact of these changes on labor use is indeterminate. How the family factor operates?

First the household grows in size as children are born, raising the minimum consumption level, and raising the c/w ratio perhaps to a maximum of 2.50 when children are small and their work contribution is nil or low.

Secondly, children grow up and contribute increasingly to the work of the household rises. This has the impact, with respect to the previous diagram, of lengthening the horizontal axis towards the right.

Third, adult children begin to form families, and farms, of their own, thus reducing the family once more, lowering the minimum consumption level, and reverting eventually towards the original demographic structure of the household which is a central feature of Chayanov peasant's economy.

10-4 Chayanov model and the market

What happens to this model when enter the market or when the household is permitted either to hire labor from outside to work on the family farm or to engage in off-farm work at the market wage-rate, i.e. when we introduce an opportunity cost to the household of alternative uses of family labor time.

The impact of an external opportunity cost of labor time is that the valuation of labor by the household is no longer subjectively determined, and variable, according to domestic family structure. It is given by the market. In that case the level of farm output is no longer determined by the subjective consumption preferences of the household, it is determined by profit maximization with respect to the market wage.

10-5 The Barnum-Squire farm household model:

Barnum and Squire develop and apply a model of a farm household which provides a framework for generating predictions about the responses of the farm household to changes in domestic composition and market variables.

The assumptions of this model are:

- a) There exists a market for labor so that farm households are able to hire in and hire out labor at a given market wage;
- b) Land available to the farm household is fixed, at least for the duration of the production cycle under study.
- c) Home activity and leisure are combined and treated as the same consumption item for purposes of utility maximization.
- d) An important choice for the household is that between own consumption of output C and sale of output in order to purchase non-farm consumption needs (M for manufactures)
- e) Uncertainty and behavior towards risk are ignored.

There are three items in utility function of the model:

Time for the production of Z-goods and leisure combined (T_z), home consumption of output C and purchase goods M

The production function is thus: $U=f(T_z, C, M)$

The preferences between these are influenced by the size of the household and its composition between workers and dependants. The production function is:

$Y=f(A, L, V)$ where A is land under cultivation (presumed fixed), L is total labor (both household and hired) used in production, and V is other variable inputs into production.

Utility is maximized subject to the production, a time constraint, and an income constraint.

The time constraint is of the form: $T=T_z + T_f + T_w$

Where T_z has been defined, T_f time allocated to farm work, T_w is wage work which may be positive or negative.

The income constraint states that new household earnings should equal expenditure on markets goods:

$$p*(Q-C) \pm w*T_w - v*V = mM$$

Here p is the output price, (Q-C) the quantity of total output (Q) to be sold rather than consumed, w is the market wage and T_w may represent an addition to income or a subtraction, m the average price of market purchases, M.

The constraints can be arranged in one constraint:

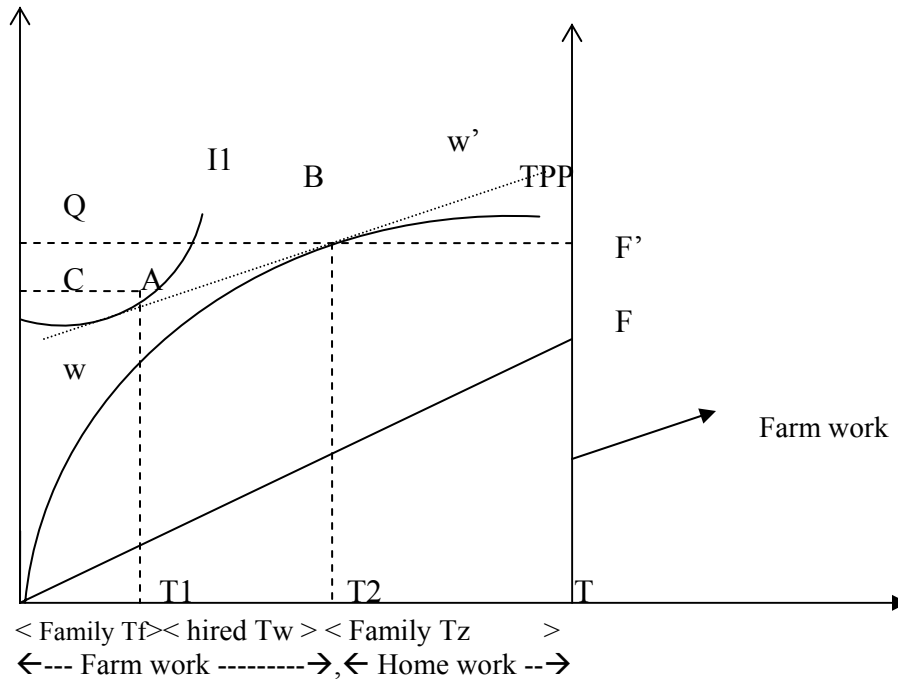
$F' = wT_z + pC + mM = \Pi + wG$ where wT_z is the opportunity cost of the time spent in Z-goods production, pC is the market value of home consumption of output, and mM is the value of the market purchases. This must equal to the net farm income or profit Π , plus the implicit value of total household time, wG .

The equilibrium conditions of this model follow the standard microeconomic results from production and consumption and follow the conditions:

- a) that the marginal product of labor variable inputs (MVPs) should equal the wage rate
- b) the marginal product of other variables inputs (MVPv) should equal to their average price
- c) the marginal rate of substitution between home time (T_z) and purchased goods (M) should equal the wage/purchased goods price ratio w/m
- d) the marginal rate of substitution between home consumption C and purchased goods M should equal the output price / purchased goods price/ratio. (p/m)

The following figure illustrates:

- a) The choice between higher consumption of farm output C and more time to spend on non-farm activities (T_z);
- b) The production function for a single farm output with labor as a single variable input;
- c) The case when labor is hired in rather than hired out by the farm household.



Even in this simplified form the model processes considerable predictive power concerning the impact of changes in the wage level or output price on farm household decisions.

- a) A rise in the market wage rate increases the price ratio, w/p and makes the shifted wage cost line, ww' , steeper in slope. This causes:
 - i) A fall in output and corresponding fall in full income
 - ii) A rise in farm work by the household, and a decline in the use of hired labor
 - iii) An increase in home consumption and a fall in market sales

- b) A rise in the market price of output reduces the price ratio, w/p This causes:
 - i) A rise in output and a rise in full income
 - ii) A decrease in farm work by the household, and a rise in the use of hired labor
 - iii) A decrease in home consumption, and an increase in supply to the market.

11- The sharecropper peasant

11-1 Peasants as share tenants:

Share cropping is a form of land tenancy in which the payment for the use of the land, the rent, is a percentage of the total physical output obtained in the crop season. Since this proposition is fixed in advance of the crop season an important feature of share cropping is that the absolute amount of rent varies with the level of harvest. Share cropping differs in this from other types of farm tenancy based on fix annual rents, whether in cash or in kind. As a form of livelihood based on access to land sharecropping also contrasts with:

- a) traditional land rights
- b) freehold land ownership, and
- c) Agricultural wage laboring.

Share cropping has occurred widely in history in many different parts of the world, and remains prevalent today especially in South and South-East Asia.

The economic decision making of the sharecropping peasant differs in significant ways for the theories examined so far. Share cropping perforce involves interaction between households which differ in their command over land and resources. At its simplest this interaction concerns land and is between households which differ which possess land (the landowners) and those which do not (the landless share tenants). As its most complex it is an interaction with multiple levels of contractual obligations between households involving land, credit, consumption loans input prices, access to market and so on. In all cases it shifts the emphasis from the isolated household to the nature of economic relationships between households. And in doing so it serves to highlight the wider village community, or class dimensions of peasant production instead of downplaying them as in other microeconomic theories of peasant behavior.

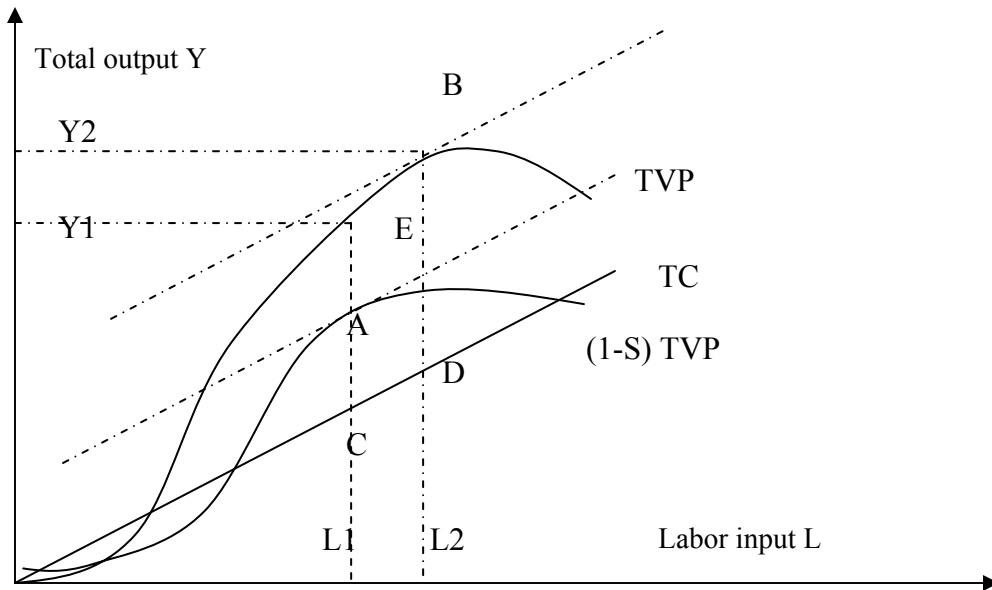
11-2 Economic analysis of sharecropping:

In this approach the share tenant is taken to be a profit maximizer in a competitive market subject to the output shares fixed in advance. It is convenient to refer to the share of the output going to the landowner as S , and the share going to the tenant as $1-S$.

The farm has a total output response to the input of tenant family labor as shown by the total product curve TVP . However, the tenant only receives a proportion, $(1-S)$ of the total product. Thus as perceived from the view point of the tenant's economic interest, the relevant output response to labor is given by $(1-S) TVP$.

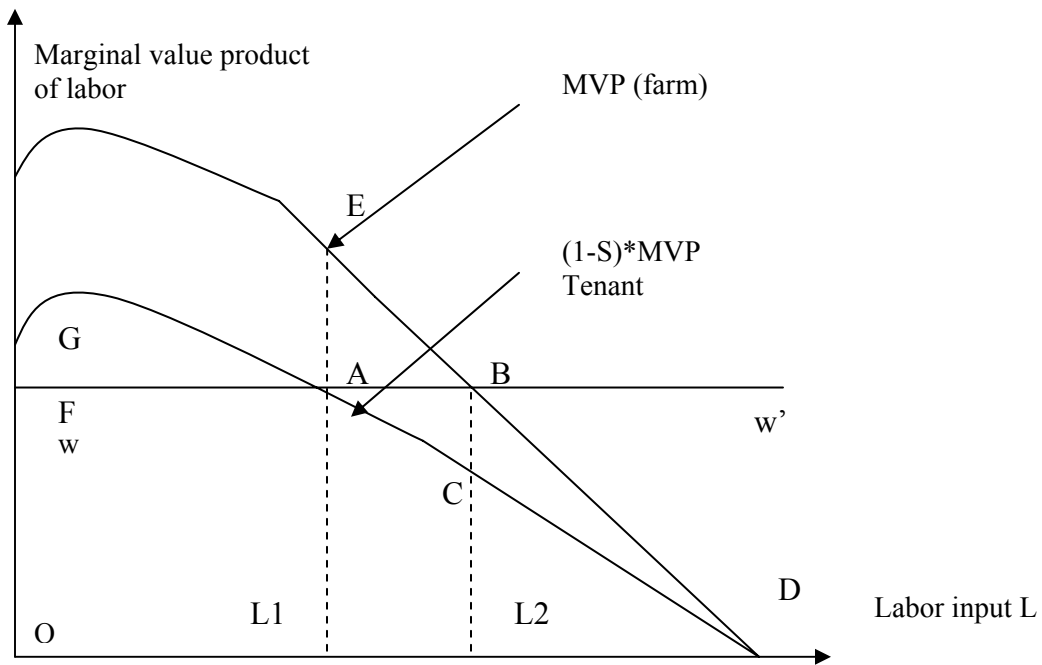
Given a competitive market wage which represents the opportunity cost of labor time to the tenant family, the profit maximizing position with respect to the labor input can be examined by It is rational for the tenant to maximize with respect to $(1-S)*TVP$ by operating at point A with labor input $L1$. However, this gives a lower total profit EC and lower output $Y1$ than the profit BD and output $Y2$ which could have been obtained by maximizing on TVP (labor input $L2$) . The use of the variable input, labor is sub-optimal and share cropping is inefficient.

The same result is demonstrated even more clearly in the graph of the marginal product curves which correspond to the total products. The marginal product curves are shown in the figure as MVP and $(1-S)*MVP$. The tenant maximizes at point A , with labor input E is higher than the market wage w , and once again, sharecropping is inefficient.



Sharecropping- The tenant model (Marshallian model)

Marginal product of labor in the tenant model



- a) The analysis rests on an assumption that the tenant is free to choose the level of labor input supplied; there is no control by the landlord over the labor time committed to production.

- b) The same result obviously occurs for all variable inputs the use of which is left to decision of the tenant, since in each case the production function for the tenant is the share $(1-S)$ of the output response to any variable input.
- c) The economic waste of sharecropping (to the economy as a whole) is represented by the area AEB which is the net income foregone due the suboptimal of input use at L1.
- d) By the same token as the tenant equates $(1-S) * MVP$ to the price of any variable factor of production under her control, so the tenant would use land, if made available, up to the point where the marginal product of land were zero. This is because, as perceived by the tenant in this model, land has a zero price
- e) In this model the tenant obtains a higher income and the land owner a lower income that would be the case if the landowner used waged labor or leased out the land for a fixed cash-rent. This is indicated by the area FGA which, for the tenant, is an income, above that which she could obtain as wage worker (OFAL1), and, for a land owner, is a subtraction from the total profit, FHEA, which could have accrued by using wage labor instead of share tenants to farm the land. Alternatively the landowner could create a cash tenancy at a rent level which would leave the tenant at the same income level as wage worker.

11-3 The landowner model

In this model the landowner is a profit maximizer who can vary the amount of land at his disposal, decide the number and the size of land parcels distributed amongst share tenants, decide the rent share, and stipulate in the share contract amount of tenant labor input which is required. The only constraint is the market wage: the tenancy contract must permit the tenant to obtain at least the same income as could be obtained by working as a wage laborer or no tenants will offer themselves as sharecroppers.

As set up in this way an entirely different conclusion about efficiency of sharecropping is achieved. Since the landowner now sets the labor input of the tenant, profit maximization ensures that this occurs where the MVP of labor equals the wage i.e. at a labor input of L2. Further, the landowner will adjust the number of tenancies, tenancy size, and share rate so that the implicit rent per unit of land is equal to the marginal product of land. With both these conditions satisfied share cropping becomes efficient. (Cheung, 1968, 1969)

In effect this model turns the landowner into a capitalist farmer. The income distribution resulting from the share tenancy is the same as if the landowner managed the land and hired in labor at the market wage. Gone is the advantage of share cropping to tenants over wage labor implied by the extra income FGA

This results depends mostly on the assumed capacity of the landowner to vary the size and the number of tenancies.

In favor of share cropping in the landowner model is the consideration that the motivation of work effort is more secure than for wage labor. The share tenant is at least self-motivated up to the efficiency point on the proportionate production function, whereas the wage worker requires constant supervision. The incentive is all strong given the typically short nature of crop share contracts.

Thus one plausible explanation for sharecropping seems to be risk aversion in an uncertain environment. However, this explanation works better for tenants than for landowners, depending in part on other assumptions about the nature of markets surrounding production decisions. If these markets are competitive it can be shown for the landlord that there is some combination of cash rent tenancy and self-cultivation which would provide exactly the same degree of risk spreading as a given share contract, while at the same time avoiding the potential inefficiencies of share cropping. Moreover this combination would result in the same income shares, between tenants and landlords, as in the Cheung solution to share cropping efficiency.

The existence of uncertainty, and the subjective response to it in the form of risk-aversion, does not therefore on their own solve the riddle of sharecropping. It is the kinds of risk separately confronting tenants and landowners, the importance of imperfect information in creating those risks, and hence the imperfection of markets of this kind of peasant economy which in the end provide the explanations for share cropping. As soon as the causes of share cropping are sought in the range and nature of market imperfections in the peasant economy 'there is no unanswered puzzle as to the apparent absence of reasons for the common practice of share cropping.

11-4 Risk, information and imperfect labor markets

Neither of the basic models of share cropping provides a satisfactory explanation for its existence. The tenant based, inefficiency, one since it works so clearly to the landowner's disadvantage and is socially inefficient compared to other forms of land tenure. The landowner does not solve the riddle either. If the outcome for the landowner is no different from employing wage labor or leasing under fixed cash rent, then why adopt share cropping instead of one of the other production arrangements.

When uncertainty and risk are taken into account the adoption of share cropping seems more plausible. Under a fixed rent tenancy the risks associated with production in an uncertain environment are borne entirely by the tenant; under self-cultivation with wage-labor they are borne by the landowner. Thus if the tenant, the landowner, or both parties are risk-averse a risk-sharing arrangement may be preferred to one in which the risk is shared between tenant and landowner in the same proportion as output is shared.

Neither tenants nor landlords in practice face the competitive labor market alternative which is assumed in both the Marshallian and Cheung models. For tenants supplying their labor the market is partial, uneven the cost, and the costs of job search are significant. For landowners seeking wage labor, hiring sufficient workers, with appropriate skills, at the correct time (for instance at harvesting) is a problem which share cropping can help to avoid.

11-5 Share cropping and incomplete markets:

It is observed that certain markets operate incompletely if at all in the kind of agrarian economy which gave rise to share cropping. The most obvious of these is the market for credit which tends to be fragmentary because the information costs necessary to establish the credit worthiness of small farm households are too large for formal financial institutions to become involved, the risks of default are too high, and farmers are unable to provide sufficient collateral to offset such risks. Share cropping contracts with credit provisions overcome these problems because the collateral for loan lies in the crop share. Another market which sometimes does not work is that for bullock services, and share cropping thus provides the only means by which the owner of a bullock team can obtain a sufficient area of land to make efficient use of the team.

James Scott – The moral peasant: an illustration (see texts extracts)
Other references: Robert Mac Netting – Smallholders, householders.

**Annex2 – One particular current of economic anthropology:
Ecological anthropology**

Ecological anthropology may be defined as the study of the relations among the population dynamics, social organization, and culture of human population and the environments in which they live. Ecological anthropology deals in many cases with systems of production as they constitute important links among population dynamics, social organization, culture and environment. Defined as such, ecological anthropology provides a materialist examination of the human activities.

Ecological anthropology considers economics in the substantive sense (Roy Rappaport, *Pigs for the ancestors*). The cultural system makes sense as a whole and achieves a balance with the natural world but it does without participant's knowledge. Their individual choices and decisions play no particular part in the system.

2-1 The first stage of ecological anthropology: Julian Steward

Ecological anthropology emerged from the Boasian school: Steward's work: *The Theory of cultural change*. Steward stressed the fact that environment influenced only certain elements of culture, which he termed the cultural core. Other elements of culture were subject to the autonomous processes of culture history which the more strict Boasians discussed. Steward put emphasis on culture as the unit of analysis and his interest in cultural evolution; his partitioning of culture into technological, social and ideological components gave him a materialist stance. Steward admitted a number of different lines of cultural development and a number of different causal factors.

2-2 The second stage of ecological anthropology: Neoevolutionism and Neofunctionalism

The attempts to address the issues of the work of Steward mark the second stage of ecological anthropology. Some work examines cases of apparent cultural regression or movement from a higher to a lower stage of cultural evolution. Adopting techniques from general system theory, archaeologists and social anthropologists in the Neo Evolutionist School have collaborated in the study of the origins of agriculture and the emergence of the State. The term Neo functionalism was used because the followers of this approach see the social organization and culture of specific populations as functional adaptations which permit the populations to exploit their environments successfully without exceeding their carrying capacity. Systems should tend towards homeostatic equilibrium with populations at or close to carrying capacity, population growth above these limits induce change.

2-3 The third stage: the processual approaches to ecological anthropology

Like neo functionalist and neo evolutionist, processual ecological anthropology examines the interaction of populations and environments rather treating the latter as a passive background to the former. A major influence on the processual ecological anthropology is the actor-based model which received general interest in development anthropology. The actor-based model form part of a general postwar shift of anthropology from social structure to social process. Firth distinction between social structure and social organization was a major point of departure. He underscored

the importance of variability in decision-making and individual behavior, and demonstrated that many social systems contain options among which individuals must choose.

One important aspect of actor-based models is decision-making models, which may be loosely divided into two types: cognitive or naturalistic models and microeconomic models. The microeconomic models resemble economic models of choice making. Barth's efforts at generative of social organization among Pathans is an example of such work.

2-4 Social Organization, Culture, and Process

The interaction between environmental factors on the one hand and social and cultural ones on the other is not simple, since the nature of their relations goes beyond the old debate between determinism and possibilism. The neo-functionalists claim that the basic facts of technology, environment, and demography determine social structure and culture, and an extreme culturalist point of view, such as that of Sahlins, would argue that culture must be seen in its own terms.

Sahlins shows that Tonga social structure and culture is a permutation of their counterparts in Fiji, he argues that this case demonstrates the supremacy of culture over material forces.

In a study of an alpine valley in Northern Italy, Cole and Wolf (*The hidden frontier*) find striking differences between a Germanic and a Rheto-Roman-speaking village, despite similarities in environment, technology, and population. Though both villages are Catholic, they partake of the somewhat different cultures of northern Europe and the Mediterranean. The inheritance patterns in each, for instance, represent compromise between the respective ideals of impartibly and partly inheritance on the one hand and the exigencies of alpine agriculture and livestock rising on the other, the two are closed but still distinct. Settlement patterns and village political systems also reflect the cultural differences between the two. The two villages are the outcome of a long history of interaction between environment, social structure, and culture in the valley and surrounding region.

Similarly, variations on a common Andean pattern of social organization may be related to differences in ecology and political economy. Access to different types of land depends on ecological and political economic features.

2-5 Mechanisms of change:

In processual ecological anthropology, decision making models can provide a mechanism of change because there is interaction between the choices which actors make, and the biological, social, or cultural systems which influence the distribution of resources, constrain the possible adaptive strategies, and provide some of the goals which the actors attempt to meet. This view facilitates the synthesis of recent Marxist work and ecological anthropology.

2-6 Specific Case:

The work which exemplifies processual ecological anthropology is the work of George Collier and *Fields of the Tzotzil: The Ecological Bases of Tradition in Highland Chiapas*. (1975 Austin: University of Texas Press).

2-6-1-Who is George Collier? : He spent a whopping eight years doing Harvard-Chiapas-Project-funded research in Zinacantan from 1960-1968. George Collier own work was focused in the Zinacanteco hamlet of *Apas* and the orientation of his research was devoted to land tenure. George Collier used aerial photographs (which were fairly detailed) as a basis for interviews with

informants to figure out where field boundaries were, who owned what lands, and how this ownership had changed over time. These interviews were both oral and written texts included a variety of forms, case histories, normative descriptions, lists of various kinds, and maps with descriptive keys. By translating Tzotzil texts himself, he enriched his vocabulary for discourse about land and related phenomena.

2-6-2 Theoretical focus of Fields of the Tzotzil:

George Collier is writing in the late 60s and early 70s, when ecological systems theory and world systems theories are hot in anthropology, and ecological issues are out and about in American cultural consciousness as well. Appropriately, then, George Collier studied Tzotzil land and environment.

Tzotzil are located in a mountainous area of Mexico State. They practice mostly shifting cultivation for subsistence. Coffee cultivation and temporary work are their main sources of income.

His focus is on differentiating local habitat, defined as specific physical surroundings in which "organisms" live from niche, defined as the various aspects of the environment that influence "organisms" and how they live.

George Collier criticizes Roy Rappaport, one of the prominent partisans of ecological systems theory in anthropology, for naïvely defining one system to survey in a restricted, territory-based sense, rather than dealing with a more inclusive, permeably-bounded concept like niche.

He argues that in order to understand what's happening in Zinacantan and *Apas*; we need to consider their niche, which includes a number of levels of influence, from household inheritance politics to Ladino-Maya relations and the context of Chiapas in Mexico as a nation-state.

He quotes that, anthropologists working with the Maya have assumed that the Municipio (municipality) is the only important level of social analysis to focus on. George Collier critiques this, arguing that to understand different types of influences and processes within the niche we need to consider a number of different levels of social analysis. He specifically critiques the idea that Maya peasant communities are "closed." In other words, Collier is doing what Marcus and Smith say anthropologists should be doing: linking local-level processes to higher social contexts.

The main arguments of the book focus on showing how local conditions (land tenure, erosion, ethnic identity, and political action) are all inextricably tied up in extra local contexts. (Erosion context is not developed here)

"Tzotzil tradition is not vestigial or residual, but a dynamic, active response that Indians make to their peripheral position in a larger, changing system." In the view of this book, Tzotzil tradition is an ethnic phenomenon that is fundamentally social, rather than cultural, and that has an ecological basis". Moreover Chiapas ethnicity is a product of being placed in the margins of a larger nation-state system, and ethnicity is not a form of cultural survival but an active, adaptive response to placement in a system.

2-6-3: Land and the Family:

Collier argues that land inheritance in *Apas* serves to shape the nature of father-son relationships, since sons need to keep on their father's good side in order to inherit land from him. According to Collier familial relations are not purely cultural, but are shaped by environmental concerns.

In order to demonstrate that land issues shape patrilineal social organization, Collier uses a model. The model is based on cross-cultural comparison with land-patriline relations in New Guinea and Polynesia. He found in the literature that some authors indicated a strong correlation in New Guinea between the strength of patrilineality and land pressure; a strong patrilineal system allowed land to be defended against others and provided incentive for patriline members to stick together. In contrast, such a correlation does not exist every time according to other scholars who found that land pressure undermined patrilineal links. Collier cleverly manages to integrate them by saying that the key paradox involved here is that land pressure can undermine the very kin solidarity it creates. Collier suggests that, up to a certain point, land pressure makes land valuable enough for patrilineal groups to stick together tightly, as sons want to ensure their piece of the land inheritance. After a crucial point, however, land pressure is so great that inherited land isn't worth waiting around for, so sons don't have any incentive to stick around with dad and keep patrilineal links strong. By this argument, Collier manages to reconcile two opposite conclusions in a single theory.

Then, he looked at six Maya communities, two with weak reliance on agriculture (Chamula, Amatenango), and four with strong reliance on agriculture (Chichicastenango, Chimaltenango, Apas, Chan Kom). He summarizes inheritance patterns, attitudes towards parents, and post-marital residence patterns for each. He concludes from these attitudes towards parents and patrilineality in the two sets of communities that there was a functional connection between kinship and land use. This, he claimed, supports the relevance for a model from New Guinea and Polynesia to be applied to his own field situation. This also allowed him to continue on to look at *Apas* in detail and the specific relations between patrilineality and land use there. He argued that the reason land is still valuable in *Apas* is because it is kept scarce, but not too scarce due to the expansion to new lowland. Thus more land enters the inheritance system, keeping *Apas* from reaching the "Polynesian point" where inheritance lands are too scarce.

Basic point in *Apas* is that land inheritance serves to reinforce patrilineal social organization. However, there are several additional factors at work. Land sale and inheritance by women serve to undermine the power of patrilineal descent, as these two mechanisms reduce the land a man has to hand off to his sons. The book provides a description of a number of different aspects of *Apas* life: the structure of hamlet organization (domestic groups, waterhole groups), the processes involved in inheritance, and what goes on at funeral (sons inherit land based partially on the % of funeral expenses they pay). Thus basic ethnographic descriptions are integrated into a larger theoretical argument, which is an interesting move. The book transforms descriptive qualitative data into quantitative data in order to science it via various statistical analyses and thus provides numerical support for Collier's land-patriline relationship.

2-6-4 Ethnicity:

Two basic forms of ethnic interaction in Chiapas: Indian-Ladino, and Indian-Indian. Collier has explored the two sources of ethnicity and makes an interesting argument re: ethnicity. First, he uses ethno history to point out that Zinacantecos have always, since the Spanish conquest, been interacting with a larger social context, especially in their pursuit of land control. The "closed" peasant community has therefore seldom really been closed...it is "doubtful that the Indian (in the sense of natives) community, even in its phases of greatest "closure", ever lacked the knowledge of external realities directly bearing on its most important interests." Secondly: there is a kind of Indian-Indian ethnic differentiation by community, George Collier notes evident signs of ethnic affiliation, like dress or other artifacts, which are taken on by Indians when they move from one community to another. Even more interestingly, Collier notes a few rare cases where Ladinos "become Zinacantecos" by adopting the external traits of Zinacanteco-ness. Furthermore, he critiques the idea that "ethnic" economic differentiations represent materially-based ethnic differences in communities (Zinacantan is known for its salt production, Chamula is known for its weaving, etc.). Basically, he points out that these specializations are not based on locally-specific resources, and account for a very small percentage of a community's economic production. His conclusion from both of these points is that ethnicity is not innate or local, but flexible and created in contrast to an outside..."the vitality of tradition comes from external processes encompassing the local community...ethnicity, then, is another example of internal features whose analysis leads to a consideration of external factors."

2-6-5 The Refuge-Region Hypothesis

The Refuge-Region is a concept Collier takes from Gonzalo Aguirre Beltrán. The Refuge-Region is physiographically, and thus economically, socially, and politically marginal to mainstream national life and national development. Beltrán places the origins of the refuge-region in its unique economic, social, and political configurations in the colonial period, when colonizers on marginal lands had to do whatever they could to exploit Indian labor in order to gain some economic benefit from the land and its resources. As part of these attempts, colonizers developed mechanisms to help exploitation of the Indians: ideas about racial inferiority, the manipulation of laws designed to help the underprivileged by Ladino politicians (thus preventing national laws from being realized locally), and the monopolization of government aid by Ladinos who situate the stations for the distribution of this aid in Ladino-dominated towns.

Ethnicity is another mechanism that maintains boundaries between an exploiting and exploited class. Collier writes that Ladino and Maya ethnicities "were necessary forms developed from the need to allocate the right to exploit economically marginal lands...ethnicity serves to increase social distance between castes and for maintaining boundaries". Claiming that ethnicity relates to Maya and Ladino identities is one thing, but how valid is Collier's claim that "ethnicity emerges as an adaptive response to marginality in the periphery"?

2-6-6 : National Indianism and Indian Nationalism :

If ethnicity is a construction based on social contrast, then it will only be strengthened by location in a nation-state context. Two factors here: the first is the usefulness of "indigenous roots identity" to the nation-state needing a symbol of its primordial unity. Collier rightly points out the whole Aztec Revival movement in post-Revolution Mexico as a classic illustration of the ways a nation-state can find value in indigenosity and valorized national indianism. Collier also points

out that this zeal for things indigenous actually resulted in positive political reforms/projects for indigenous people in Mexico.

Second point is Indian Nationalism. Collier describes how Zinacantecos take advantage of government programs in order to further their own goals and how political leaders had to prove their legitimacy to the community by using their "official" positions to actually get material benefits for the community. Collier provides a great discussion of how Zinacantecos mobilize political and judicial resources to further their own goals.