



University of Gondar

College of Social Sciences and the Humanities

Department of Social Anthropology

Under Graduate Program in Social Anthropology

Hand outs for the course Economic Anthropology (SoAn 2061)

Chapter One

1. Definitions and Concepts

1.1. Economy, Economic System and Economics

The terms *economy* and *economics* both derive from the two Ancient Greek words *oikos* (“house”, *oikia*, “family”) and *nomos* (“custom, rule, law”). Together they form *oikonomia* which can be translated literally as “rules of the household” or, more generally, as

“management of a household, administration”. Aristotle used *oikonomiké* for the discipline of leading of a household.

Economy is a process of interaction between man and his environment, by which he obtains all necessary things in order to satisfy his needs. It is a complex of human activities which include producing, exchanging, distributing and consuming goods and services. These activities or the “part” of society that deals with production, distribution, and consumption of goods and services is called an economic system.

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

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

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

Furthermore, there are many different subfields and schools of thought in economics. Some of them will be discussed in this course. Economics today seems to be dominated by applied economics which try to help solving actual problems in companies or national economies. Such approaches often simply follow the assumptions of *neoclassical (capitalist) economic theory* without critically revising them.

Besides economics also other disciplines study economy. Economic anthropology studies economy from a socio-cultural perspective, *psychology of economy* studies the psychological dimension of economic decisions, and *socioeconomics or economic sociology* studies the interrelation between the society and the economy. The latter is not completely to be distinguished from economic anthropology but is more focussed on larger populations and economies. There are also attempts to bring economics and economic anthropology nearer to each other as we see from the *ethno-economics* approach.

1.1.1. Economic Anthropology

A very general but useful definition of economic anthropology is the following:

“At the most basic, economic anthropology is the description and analysis of economic life, using an anthropological perspective” (Carrier 2005:1).

In another text of the same author it is added that economic anthropology is about economic life in “social settings”.

In order to understand this definition we have to examine its elements (2.1) *economic life*, (2.2) *social settings*, (2.3) *anthropological perspective* and (2.4) *description and analysis*.

1.1.1.1. What is meant by “Economic Life”?

Economic life encompasses activities through which people or societies:

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

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

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

Economic anthropologists may study a *wide range of social settings* “from small and intimate social units like households through intermediate ones, like firms, villages or local markets, to very large entities like regional systems of ceremonial exchange or global systems of advertising and consumption” (Carrier at www.discoveranthropology.org.uk). Economic anthropology may also be used as a fruitful approach to *comparative economics* which compare the economies or economic cultures in *different settings*.

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

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

Carrier (2005: 1-2) explains the anthropological perspective as follows:

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

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

The anthropological perspective is empirical and naturalistic. It is based on the “observation (empirical) of people’s lives as they live them (naturalistic)” (Carrier 2005). Social anthropology is not so much interested in the development of an overall economic theory, or on far reaching generalisations. It is rather concerned with particularities. Therefore, the popular assumption that all economic activity aims at utility or profit maximisation will not find uncritical supporters among social anthropologists. Certainly they will accept the notion that humans are “economic animals” as they are also “political animals”. However, even the assertion of the famous economist and theoretician of Capitalism, Adam Smith (1776, cited

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

In the anthropological perspective the nature of “the economy” is not taken for granted or self-evident. It does not explain economy as necessarily following quasi-natural rules and logic but as an ever developing process resulting from and (re-)shaping cultural concepts and practices.

As it is always the case with social anthropology its perspective not only takes into account the world view of the people investigated but makes it its central starting point. The emic perspective (i.e. the grounded assumptions about the insider’s view) is seen as necessary for the understanding of economic life (see also Carrier 2005: 4).

1.2. How Do Economic Anthropologists Describe and Analyse Economic Life?

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

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

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

1.3. A Short History of Economic Anthropology

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

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

Despite our focus on historical change, there are some abiding questions at the intersection of economics and anthropology. Is the economists' aspiration to place human affairs on a

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

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

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

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

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

Tucker elaborates a bit further:

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

Mazzucato explains the difference like this:

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

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

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

Economic Anthropology focuses on:

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

1.5. The Ethno-Economics Approach

Mazzucato proposes an interesting approach in which economic can learn from economic anthropology and its ethno-science methodology. The ethno-science methodology tries to understand the world of the researched people in their own words and categorizations, i.e. through their emic perspective.

Applied to economics the ethno-science methodology tries “to gain an understanding of how a society perceives economic phenomena through its use of economic terms. This means developing an indigenous classification system of economic terms such as benefits, costs, insurance, interest, profits, security, and risk. The classification system and the insights gained from the ethno-economic methodology can then be used to define the variables in an economic analysis” (Mazzucato). When analyzing, for example, the benefits and costs (B/C analysis) of the economic activity of a farmer one measures the benefits according to the farmers’ definition of benefits. This may mean looking at revenues as traditionally done by economists but it may also include things such as social status, security, risk insurance, and other culturally defined variables. The same with costs which may not be in terms of input costs but damaged reputation, or weakening of claim to land. Or, for example, after eliciting an economic folk taxonomy it may become apparent that B/C analysis is not the correct tool with which to explain the choice of a technology. It may indicate the need for another more relevant method.

Chapter Two

2. Debates and Theories in Economic Anthropology

2.1. The Formalist – Substantivist Debate

The social anthropologist's perspective on economic life is shaped by the idea that any economic system is always embedded in the social and cultural context. Economy is not isolated and cannot be understood without the other aspects of the socio-cultural system. If we want to understand the principles of economic life we always need to acknowledge the social, cultural and political structures they belong to. This seems to be clear from the general holistic approach social anthropology has. However, there has been an important debate in social anthropology on the question if one could apply the theories and methods developed by economics for the understanding of the modern industrial capitalist economies to other non-industrial, pre-industrial, or less capitalist economies. This debate known as the "formalist vs. substantivist debate". The major question which is also of basic importance for comparative economics is if the principles of economy are everywhere the same or if they are not. While the formalists claim that these principles are universal the substantivists reject this and hold that the principles might sometimes be different according to the specific socio-cultural context. The most important theoretician of the substantivist position was the Hungarian economic historian Karl Polanyi who was influenced by social anthropologists such as Bronislaw Malinowski and Richard Thurnwal. Important followers of the substantivist school of thought were Paul Bohannan, Pedro Carrasco, Louis Dumont, Timothy Earle, Maurice Godelier, Claude Meillassoux, John Murra, Marshall Sahlins, Rhoda Halperin, Eric Wolf and George Dalton. Dalton later became Polanyi's successor as "leader". On the side of the formalists who formed themselves as a reaction to Polanyi's position, the US American cultural anthropologist Melville Herskovits should be mentioned. The "leader" of the school was Harold Schneider; other important members were Robbins Burling, Edward LeClair, Frank Cancian and Scott Cook.

The distinction between the two understandings of economy was introduced by Polanyi. He chose the term "substantivist" because this position holds that there is a substantive difference between the "traditional" or pre-market economies on the one hand and "modern" capitalist economies on the other hand. The substantivists believe in the different nature of the two forms of economy because goods and services are produced and distributed through specific cultural contexts and follow specific rules. Therefore, they should not all be analyzed with the

same methods. Polanyi chose the term “formalist” because this school of thought follows the formal principles of economy mainly developed by the so-called neoclassical economics from the study of modern capitalist market societies. Only after studying these modern economies they applied their theory to pre-modern/traditional economies. According to the formalists, economy everywhere follows the same principles. In order to understand the formalist position we have to take a look at what is the core of neoclassical economics. This core is based on the assumption that scarcity or the limited access to goods and services is a universal fact in every economy. To put it into a simple speculative picture, there would be no economy in paradise because every need the inhabitants of the paradise might have is already fulfilled, or maybe the Paradisians have no needs anymore. However, on this planet most material and immaterial goods and services are scarce but the needs of people are much more. We do not have the same amount of resources everywhere and labor is needed to produce goods from these resources. Milk, honey, grain, cloths, books and ideas usually do not fall from the sky but we have to work for them or let others work for us.

Neoclassical economists hold that scarcity resulted in a human behavior called “economizing”. Every social actor (individual, household, company etc.) is economizing which means he/she is primarily self-interested and rationally tries to maximize his access to scarce resources. According to Herskovits (The Economic Life of Primitive Peoples, 1940 and Economic Anthropology, 1952) this maximizing behavior of the individual is universal and it is only the cultural matrix that varies. For neoclassical economists economy is a field where decisions are made regarding the choice of allocating scarce resources to satisfy unlimited needs. Its final purpose is maximizing utility. In his work The Great Transformation (1944) Polanyi analyzed how modern market capitalism emerged and what disastrous consequences it had. The first country where this new form of economy fully developed in the early 19 century was England. From there the process of industrialization spread over Europe and North America, later also other parts of the planet. In Polanyi’s view this new economy was unique in being disembodied from the social matrix. In principle, this system commercialized and commoditized all goods and services in terms of a single standard, money. Now, prices were only fixed through the self- adjusting mechanism of supply and demand. In pre-capitalist economies there were also marketplaces but they did not work solemnly as self-regulating supply-and-demand market economies based on money. In many such marketplaces money (also “primitive money” such as amole and iron bar in Ethiopia, kauris in other parts of Africa) was used. However, this kind of money did not have the value as a universal exchange equivalent but was limited in a way that not

everything could be purchased with money like in a pure capitalist system. Instead land and labor was gained through ties of kinship (birth, adoption, marriage) and community, and money was employed only in transactions involving a limited range of goods and services.

The capitalist transformation (“the great transformation” of Polanyi) transformed every good and nearly every natural resource (land but not yet air) into commodities for the market. Additionally, human activity or labor now could be bought and sold on the market without limitation. All these values before had been protected by social and cultural institutions but now this protective covering was ripped off. A market which is not regulated by the state or other institutions and where there is no restriction of economic transactions is possible is called a free market. However, pure capitalism and the totally self-regulating market are only ideas. In historical reality capitalism is always in some way mixed with institutions made to check the action of the market system relative to labor, land, and money. A very important agent here is the state who takes part in the economic process by taxing and welfare, as well as imposing national interests and boundaries on the market. A strong reaction to the disembodiment of the economy from the social matrix was the coming up of various socialist as well as social, environmentalist reform movements. Since in the capitalist market system in principle everything is marketable the market gains an overwhelmingly powerful position within society.

Now, as Polanyi says “economy itself begins to be conceived as the most important area of society, so that all other principles of society organization become secondary to the principles of the market”. Therefore, “instead of economy being embedded in social relations, social relations are embedded in the economic system. The vital importance of the economic factor to the existence of society precludes any other result.” The capitalist market economy becomes a structural power in every area of human life and forms the society according to the capitalist image and the functional requirements of capitalism. Thus, even if human society was or maybe is more than just a system made up by profit maximizing individuals the free market economy tends to reduce the members of society to “economizers”. In a pre- or non-capitalist society the economy is imbedded in society. Therefore, using concepts taken from the analysis of a market economy such as demand, supply, marketing, rational choice, profit and others, is not appropriate because meanings and context are different. In such traditional economy, according to the Polanyi, people are not always forced to make choices about allocating scarce resources. They are not necessarily motivated by self-interest and oriented towards maximization of profit or utility. They are also motivated by their culture and history

as well as by moral and religious principles. Frequently, decisions are not individual but collective decisions. Given the collective character of economic decisions, substantivists are especially interested to investigate economic institutions instead of individuals or families which are in the focus of the individualistic methodology of the formalists.

2.1.1. Culturalism

For some anthropologists the substantive understanding of economy did not go far enough. A school of thought, known as “culturalism” (one could also say “radical substantivism”), claimed that the substantivists were still superimposing Western concepts of economy and social systems upon societies/cultures that were completely different. Instead the “culturalists” asked researchers to build their theories directly around local and culturally specific cases and on how (and in which words and concepts) the local people themselves understand and explain their economy. Gudeman (*Economy’s Tension: the Dialectics of Community and Market*, 2008), one of the founders of culturalism, claims that there are no universal models to explain economic behavior but only many local models. Neoclassical economics then would be only another (yet very influential) local model.

However, Gudeman did not reject all universalism. He identified two general ways to deal with the problems of production, distribution and consumption of goods:

- (1) Market with impersonal exchange: market as the anonymous sphere of competitive exchange, unaffected by personal relationships between individuals, where they transfer between them goods, labor, money or ideas.
- (2) Mutuality and community: community, in turn, is the sphere where people transfer between them goods and services that create, mediate or reinforce personal relationships.

2.1.2. Formalist Critical Reaction to Substantivism

Richard Wilk sums up the critical reaction against substantivism in the following ways:

- (1) Substantivists misunderstood microeconomic theory: Maximization does not necessarily imply the existence of markets and money. Anything from financial profit to leisure, security and love can be understood using the idea of maximization.
- (2) Substantivists are “romanticists” who have misconceptions such as the belief that human being cannot be adequately understood as an intelligent agent, motivated animated only by self-interest.
- (3) Substantivists did not understand that formal methods work well in non-Western

societies.

In any society we find rational people who have limited resources available for attaining certain alternative goals. Formal instruments may need to be refined and adapted from case to case.

(4) Substantivists are essentially limited by their inductive methodology, which attempts to collect data on a multitude of particular situations, and then construct generalizations from them. Formalists, on the other hand, believe that the opposite method, the deductive one is preferable because it allows us to explain each element of behavior by a general law.

(5) Polanyi was wrong considering that the laws of market economy do not apply in primitive and traditional societies. On the other hand, in today's world, more and more societies are attracted in the global economic system and copy its economic model, so substantivism, even if it were functional, is not relevant any more.

Conclusion

In conclusion we can say that the debate between substantivists and formalists was not solved. It can be seen as “another episode of the long methodological dispute between idealists and materialists, descriptivists and normativists, individualists and holists, positivists and humanists, generalists and particularists and so on”. However, Dalton agreed with the formalists that substantivism is “adequate only at the study of pre-colonial, tribal, primitive, traditional economies, and generally for those in pre- state societies”. Richard Wilk suggested that substantivism and formalism both could be true or false but in any case they do not exclude each other if we:

(1) Summarize formalism as the idea that economic rationality of maximizing individual can be found in all societies, and

2) Summarize substantivism as the belief that economy is a type of human activity that is integrated, institutionalized and embedded in various social institutions and different cultures. Richard Wilk lists several possible alternatives to the formalist hypothesis of economic rationality:

(1) People are not rational in the formalist sense, but non-rational or irrational, so we can define other types of human rationality, different from that based on maximization.

(2) Economic rationality is specific only for certain types of behavior, or social groups.

(3) Economic rationality as defined by economists is a circular concept, vague or meaningless because its existence cannot be demonstrated as such.

(4) Economic rationality is found only in certain types of societies. Possible alternatives to the substantivist idea, that economy is always embedded, contained in social institutions:

(1) Economy is an autonomous sub-sector of society, and is not embedded at all.

(2) Society is embedded in the economy, and not vice versa.

(3) Economy is only partially embedded in social institutions.

(4) In each particular context, the economy is embedded in society in a specific way so there are no generally valid types.

(5) Economy is not restricted to one sector of society or to a behavior, but is present in any human activity.

2.2. Marxist Economic Theory

Marxist Anthropology

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

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

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

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

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

Each mode of production has three aspects:

-A distinctive principle of determining property

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

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

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

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

- The power of the capitalists is secured through elaboration of mystification in the ideology, which results in the false consciousness of the lower class.

- Marx and Engels viewed social change as an evolutionary process marked by revolution in which new levels of social, political and economic development were achieved through class struggle.

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

Evolutionary Marxism

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

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

- The **fourth** stage, **capitalism** is the current stage of society. At this stage there are two classes: the **bourgeoisie**, the ones who control and own the means of production; and the **proletariat**, those who most sell their labor to the bourgeoisie.

-Marx and Engels argued that the real basis of social and political inequality was property ownership and since there was no private property in primitive societies, there was no state and no class or inequality.

-Marx's causal paradigm, recognizing three subsystems of culture: - technology, social relations/life and ideology

- Technology drives change in the social system, social life shapes ideology.

-The **final** stage (industrial **Communism**) is yet to come.

Structural Marxism

-In the mid-1960s in France and Britain, structuralism was the dominant theory in anthropology. French philosopher **Louis Althusser** and sociologist **Maurice Godelier** merged Structuralism with Marxism

-The British social anthropologist **Jonathan Friedman** (1974) believed, like Marx, that society is formed by the conflict (or absence of conflict) between the infrastructure, the forces of production and the relations of production; and the superstructure, the political and the ideological life.

- **Neo-Marxists** argued that polarized classes analogous to those detected by Marx and Engels under early capitalism could also be detected among across virtually the whole range of pre-capitalist societies.

-Thus African societies, presented in harmonious coherence by earlier functionalist ethnographers were now shown to be known with conflict and class struggle. To the extent that male elders appropriated the surplus labor of their juniors and of women, they were seen to be exploiting class or at least they could qualify as a class in itself.

Characteristics of Marxist studies

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

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

Radical Critique

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

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

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

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

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

2.3. Evolution and Adaptation

Fundamental to any inquiry in human ecology are the concepts of change and adaptation to change. All environments are dynamic, and changes will vary in the scales of both time and space. As environments change, organisms must adapt to those changes, a process that can entail a variety of mechanisms. Humans use both biological and cultural mechanisms. The concept of evolution is widely misunderstood. Quite simply, evolution is change.

All things change, and so all things evolve. Biological anthropologists define evolution more specifically as the change in gene frequency in populations from generation to generation. Other disciplines might define evolution in different ways, but in essence, it is simply change. Many also believe that evolution has direction [or even progress]. While it is true that some things become more complex over time, not all things do; complexity itself is not necessarily an advantage. In the same vein, all living human cultures are equally evolved, although to different environments. They are equally far from whatever culture may have existed among prehistoric human ancestors. As there is no direction in evolution, there is no such thing as devolution, there is no more or less advanced, and there is no external scale of progress. As environmental conditions change, some sort of response is necessary. That response, or adaptation, is an ongoing process, as environmental conditions are always dynamic. The variability within an organism allows for an appropriate response to be selected and the greater the variation, the more likely it is that an adequate adaptation can be made.

2.4. The Culture Area concept

Somewhat related to environmental determinism is the idea of **culture areas**, large-scale geographic regions where environment and culture were similar to each other, particularly in economics. Nevertheless, the concept has many weaknesses, including the definition of a single area that contains considerable environmental and cultural diversity, the use of somewhat arbitrary defining criteria, the assumption of a static cultural situation, and the tendency to equate environment with cause.

2.5. Neo evolutionism

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

2.6. Julian Steward's Ecology

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

and environment:

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

Steward's primary arguments were that:

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

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

2.7. Cultural Materialism

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

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

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

2.8. Rational Choice theory

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

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

2.9. Political Ecology

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

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

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

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

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

2.10. Natural Resources: Carrying Capacity and Boom and Bust Cycles

-**Carrying capacity** is the measure of the maximum number of individuals that can be supported in a particular [ecological] system for a specific amount of time.

-Carrying capacity will vary seasonally, annually, and over longer periods. Some species, such as many plants and some rodents, will enter boom cycles when resources are abundant, substantially increasing their populations. If the resources are short lived and the carrying capacity falls, the population will be too large and a bust cycle will result, with individuals starving until the population falls below the new carrying capacity. As carrying capacity always fluctuates, these **boom and bust cycles** can be very common.

-Human populations do not often go through such cycles, although they do happen for a variety of reasons, including wars and embargoes. Humans tend to stay below the carrying capacity of an area for several reasons. People can manipulate the environment and thus “*control*” *their carrying capacity to some extent. Human culture provides a variety of solutions for resource shortages, including storage, trade, kinship assistance, and warfare.* Humans almost never eat everything that is possible to consume in any particular environment, so they have the capability to expand their diet if the need arises.

Chapter Three

3. Basic Concepts in Studying Economy

3.1. Labor, Land and Capital

Adam Smith identified labor, land and capital as the three factors of production and major contributors to the “nation’s wealth”. Since then, labor, land and capital continued to be central categories in economics and also economic anthropology. They are called the factors of production. Together with the so-called intangibles these factors form the basic elements or inputs that are combined in the production of goods and services. These intangibles are organization, entrepreneurship, knowledge, goodwill as well as technology, and time.

“For example, when building a house, people are driven by the spirit of entrepreneurship to use human energy (labor) to put a structure on a plot (land) using both natural material objects (wood, stone) and human-made material objects (nails, hammers, bricks, etc.). In economic terms, the result is a good that one can use and sells or trade for another good”.

3.1.1. Labor

Labor or work is an important aspect of every economic system. It refers to the human resource and is one of the factors of production. The way how labor is organized for production and the role it plays in the economy as well as in the socio-cultural system can be used for the classification of economic systems.

For the German economist Karl Marx (*Das Capital*, 1867) the role of labor in the process of production was crucial in the analysis of capitalism. Here are some points of his analysis of labor (Durenberger 125f.):

- All useful objects are products of some amount of human labor.
- The amount of labor an object contains determines the value of the object in exchange for other objects.
- The amount of labor an object contains depends on the technology of the place and time and the organization of the process of production.
- In capitalism labor is treated as a thing that can be bought and sold, like any other commodity.

- Like any commodity, the value of labor is determined by the amount of labor necessary to produce it. That means, that the value of labor is determined by the amount of labor which is necessary to produce the things a worker needs for subsistence and to continue his work.
- In capitalism profits are produced when production can be organized in a way that allows for paying wages to the workers that make him produce the value of the wages and more. The difference between the value a worker produces and the worker's wages is profit. The relationship between the worker and the employee is called a wage relationship.

However, besides wage relationship, there are also other ways how labor can be organized. The historian Eric Wolf (*Europe and the People Without History*, 1999) identified three main means of organizing labor and to extract value from work:

- Kinship
- Tribute
- Capitalism

Each of these ways of organizing labor comes along with a characteristic mode of production with its own forms of distribution and social relations, and its own beliefs, values and practices which make it seem inevitable and self-perpetuating.

Division of labor

The most basic feature in the organization of labor is the division of labor between different individuals or according to social groups. It can be identified as a universal form of social organization. The same is true for the division of labor according to gender, the sexual division of labor. A gender division in organization of labor probably already existed among early hunter-gatherers. It is, however, not substantiated - and very much doubtful - if this division is actually biologically determined. The first to discuss the division of labor was the French sociologist Emile Durkheim (*The Division of Labor in Society*, 1893).

Specialization of Labor

Around 10.000 years ago the "Agricultural Revolution" transformed groups of hunters and gatherers into settled food producers. Agriculture produced a surplus and not everyone had to work on the land but could specialize in other fields of labor, such as handicrafts.

3.1.2. Land and natural resources

Since economy is the interaction between people and the natural environment, another factor of production is land and other natural resources, such as water, minerals, fauna and flora etc.

All these resources from the natural environment are the base for most production while they are less important for services.

3.1.3. Capital and Property

Capital (economic capital) consists of any produced object that can enhance a person's power to perform economically useful work. Capital is a factor of production that could be all material made by humans. Capital is not wanted for itself but for its ability to help in producing other goods. The following types of goods are considered as capital:

- Goods that can be used in the production of other goods
- Goods that are not used up immediately in the process of production (unlike raw materials or intermediate goods)
 - Goods produced, in contrast to “land” or natural resources.

In classical economics, and Marxist political economy in particular, capital is money used to buy something only in order to sell it again to realize a financial profit. For Marx capital only exists within the process of economic exchange—it is wealth that grows out of the process of circulation itself. Today this form of capital is generally called “financial capital” and is distinguished from “capital goods” as defined above. The concept of capital was further distinguished by different schools of thought in different ways. Marx and Marxian economics make the distinction between:

- (a) Constant capital: equal to capital goods (see above).
- (b) Variable capital: refers to labor-inputs, where the cost is “variable” based on the amount of wages and salaries are paid throughout the duration of an employee's contract (employment)
- (c) Fictitious capital: refers to intangible representations or abstractions of physical capital, such as stocks, bonds and securities.

In modern neoclassical economics there are many more classifications of capital: financial capital, natural capital (natural resources), social capital, instructional capital (transferrable knowledge), human capital (social, instructional and individual human talent in combination), spiritual capital (the power, influence and dispositions created by a person or an organization's spiritual belief, knowledge and practice).

The French sociologist and ethnographer Pierre Bourdieu developed an elaborate theory on different forms of capital and on their interrelation:

Social capital,

Symbolic capital

Cultural capital

All four forms of capital can be transformed into each other, and by this always can have economic functions or can function in economy.

3.1.4. Property

According to the standard model of neoclassical economics, private property or private ownership refers to goods to which an individual or corporation has exclusive title. This model assumes “possessive individualism” as the norm. From the perspective of social anthropology, however, property can have also many other forms on accordance with the historical time, the society and the culture it is embedded in. The social and the economic functions of property change, in close association with political dynamics or power relations. Property relations are social relations. They are not like relations between persons and things but like relations between persons with respect to things. As such they also have a strong legal aspect which is analyzed by social anthropologists. From this viewpoint property can be understood as a “bundle of rights”, as the US American anthropologist Henry Maine (Ancient law, 1861) put it. It is not only one right but often different kinds of rights may be held in the same thing. Ownership or property can, thus, be defined “as the greatest possible combination of rights over a valuable object which the law recognizes”. So, if you are the owner of a bajaj you have many different rights over it. You can sell it, you can give it away, you can inherit it to your child, you can destroy it, you can borrow it to your friend, you can paint it in yellow, and if you have a driving license you can even drive it. The bajaj can be also your means of production.

The anthropologist Lewis Henry Morgan and other culture evolutionists used property relations to explain the evolution of human societies from the “primitive” society which was based on kinship group and equally shared property up to the individualized private ownership of modern capitalism. This evolution of property relations became the base for the theory of historical materialism of Marx and Engels.

During the Cold War between the Capitalist West and the Socialist East economic theory was long focused on a simple dichotomy of two forms of property, individual vs. communal/collective ownership, or individual vs. state ownership. Yet, from ethnography we know many other forms of property.

3.2. Production, Circulation and Consumption

Production, Circulation and Consumption describes the main activities in an economy. Goods are produced for consumption but if producer and consumer are not identical (like in subsistence economy) the product has to find its way to the consumer by circulation.

A.production: -Social anthropology looks at production by analyzing the modes of production of an economic system. A mode of production refers to the ways how production is organized technically and socially. Every mode of production goes along with certain types of culture and, as culture evolutionist believed, with evolutionary stages. Economies and societies can be classified according to their modes of production, for example, as hunter-gatherers, horticulturists, agriculturists, traders, service economies etc.

B.Circulation: -Circulation refers to the ways how material and immaterial objects are circulated and exchanged between humans. It includes the principles of reciprocity, distribution and redistribution, ceremonial exchange, but also the market exchange.

C.Consumption: -Consumption is not only consuming goods (for example: eating food, wearing cloths, reading books, watching TV) but also using services (for example: travelling by mini bus, getting a new hair-style, being cured, being served at a bar). We do not do this only to answer to our basic biological needs, but also because we are participating in a specific cultural setting. This cultural setting provides us with certain values and triggers our wants and wishes. For example, if our culture gives value to beauty we may want to go to the barber shop.

Our decisions of what we want to consume have their reason in our social surrounding and cultural predisposition. They are deeply rooted in the systems of meanings we are attached to. The Study of consumption, therefore, will tell us also a lot about these systems of meanings and the values embedded therein.

3.3. Scarcity

According to the scarcity postulate human wants are infinite but the means of satisfying them are finite. That means people will always develop new wants and wishes and their needs have

to be satisfied on a regular basis. In the same time the goods and services needed and wanted are not endless but limited. Goods and services are scarce because

(a) Most resources (labor, natural resources) are unequally distributed by themselves and according to place and time,

(b) Access to resources and capital is not equally controlled by everybody – some control (possess) more and others control less.

(c) Resources are finite and versatile

Today, there are only a few things that are not scarce and free for every inhabitant of our planet. The most important “free good” is maybe air (if you don’t mind that it may be polluted).

The scarcity postulate became the most basic defining element of formalist economics. Thus, Robbins defines economics as follows: “The science that studies human behaviour as a relationship between ends and scarce means that have alternative uses.”

As we have seen already in this course, the scarcity postulate leads to the assumption that individuals as well as social units in general show an economizing behaviour (maximizing economic benefits), that is, of choices induced by scarcity situations. Therefore, another definition states: “Economics is the study of utility maximization under conditions of scarcity.”

3.4. Supply and Demand

The scarcity postulate also underlies the idea of *how the market functions*. Because goods are scarce one has to give something (work, money, gifts, investing in social relations etc.) in order to get them. If a good is hard to find (i.e. it is in *short supply*) and, for example, AtoKebede really wants to have it (or *demands* it) he will *give/pay more in exchange*. Maybe he has a lot of competitors who also want to have this good and are possibly ready to give/pay for it the same or a higher price. Or, Ato Alemu, the owner of this good, knows how much AtoKebede wants it and asks a higher price because he wants to use his chance to maximize his profit.

Therefore, in general, theories in economics say that in a *free market system*, prices are regulated by the mechanisms of supply and demand. The so-called *law of supply* goes as follows:

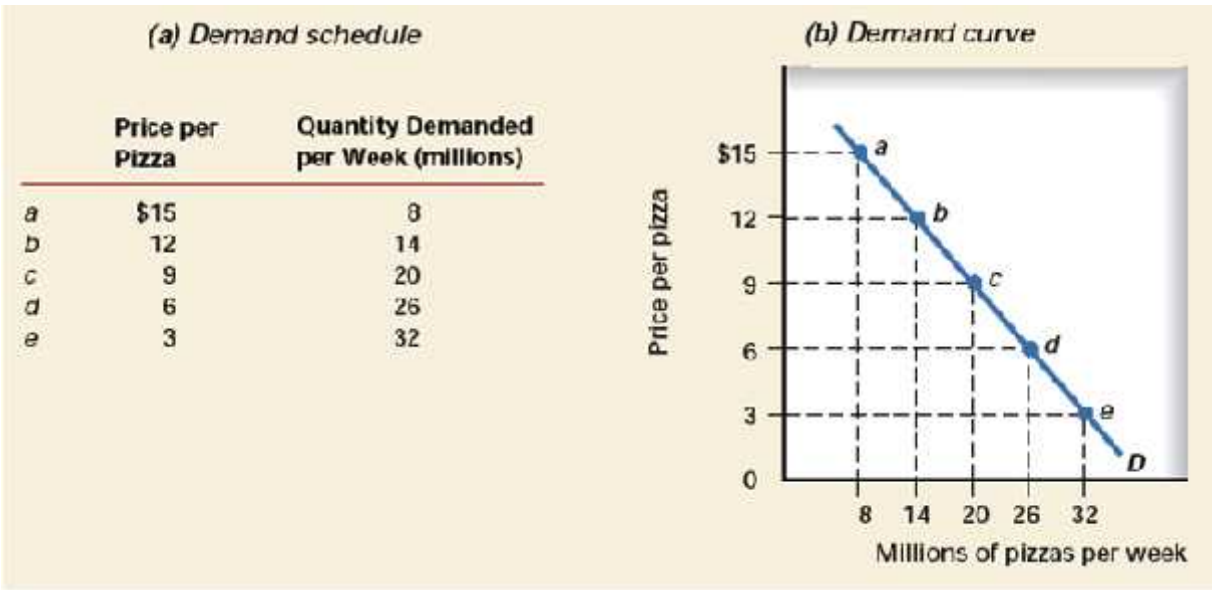
When a commodity is in short supply, its price tends to rise;

When there is enough supply of a commodity, its price will decline.

The mechanisms of supply and demand never function in a clear-cut way. There are many ways of manipulating the market by creating artificial demand and limiting supply to keep the prices high which becomes against this assumption.

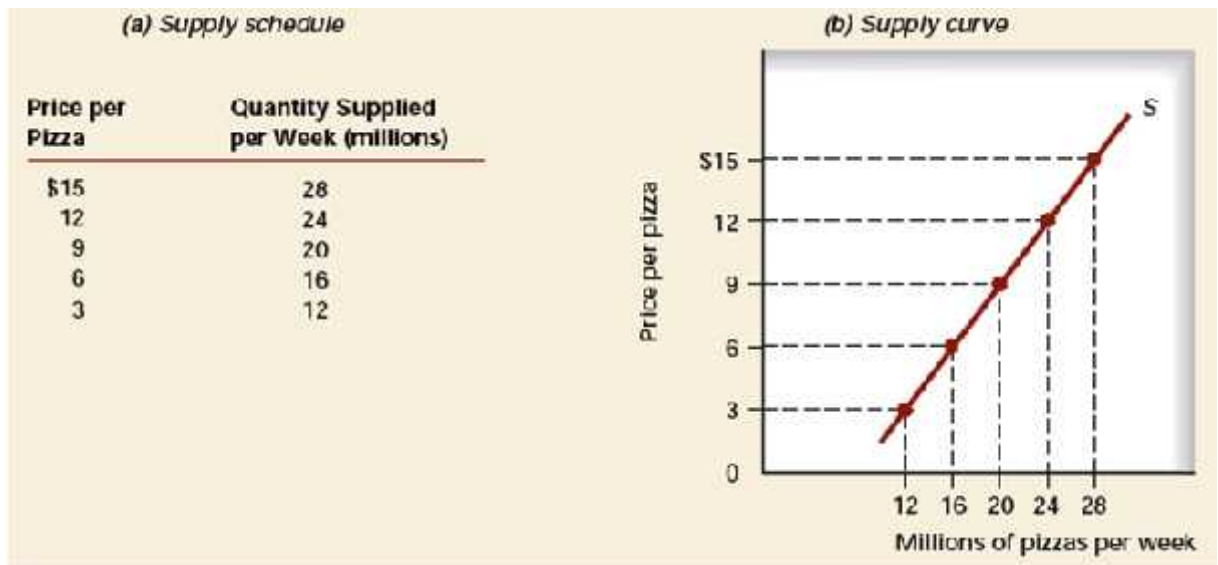
The law of demand: all other things equal, the quantity demanded is inversely related to price. Demand curves never slope upward. Demand is about what consumers both are willing and able to buy.

The Demand curve



The law of Supply: -In the short run, all other things equal, the quantity supplied is directly related to price. Supply curves usually slope upward. As price increases, other things constant, a producer becomes more willing and able to supply the good. Higher prices attract resources from lower-valued uses. Supply curves slope upwards because of the “law” of increasing opportunity cost. In the short run, at least one factor of production is fixed, and diminishing returns eventually set in.

The Supply Curve



3.5. Decisions and Choices

Because resources are scarce we have to make decisions and choices. For example, everybody has limited money. Even a very rich man cannot buy everything at once. We have to decide what to do with our limited financial resources. If we want to buy new shoes, we may not have the money to buy a new radio in the same month. If AtoKebede buys a computer he cannot buy a TV or a refrigerator in the same year. If we want to get something we always have to sacrifice something else. This “sacrifice” is called opportunity cost.

Opportunity costs have to be paid by individual as well as by households and companies. Not the money price defines the real costs of something but the real costs are the opportunity costs: What or how much do we have to give up in order getting something?

If production is not ecologically sustainable there is also another kind of costs similar to the opportunity costs: we may sacrifice important parts of the natural environment because the production of the goods we want causes pollution.

Every economic system must constantly decide on the following questions:

- Which commodities/goods should be produced? In what quantity should these commodities be produced?
- How should these commodities be produced with greatest efficiency?
- For whom should these commodities be produced? How should they be distributed?

“Different societies solve these economic questions in different ways. In some societies, the questions are solved by relying on custom and tradition. Specific crops are grown or articles manufactured because it has always been done this way. In others, decisions are made by command. A ruler or body of representative’s orders that such and such crops will be grown or such and such articles will be made. Finally, in some societies, answers to the above questions are decided according to the working of a market that depends on supply and demand, on prices, profits, and losses” (Perry/Perry 2010: 477). However, today there is no economic system that only functions according to only one of these principles. Mostly we will find a mixture of all three of them.

Economists are interested in the question of how markets lead the actions of profit maximizing actors. Social anthropologists have another focus: They want to know how actors’ perceptions, cultural and religious values, social relations and obligations affect their economic decisions.

As anthropological research has shown, economic analysis does not always explain sufficiently why economic actors (individuals, households, companies etc.) are successful or not. Every actor is embedded into a complex web of social relations and ecological, social and Political conditions which are local and culture-specific. When we want to know how and why economic decisions are made we have to look at many of those factors.

When economists carried out Farming Systems Research in Africa they understood that it were not individuals who were the major economic actors and decision makers but smaller or larger social groups. “Resources were often controlled by household or larger kin-based units rather than by individuals. Hence, production and investment decisions had to be made at the household or homestead level” (Ortiz 2005: 59). But analysing economic decisions made by households is again not easy because one has to know how the household members come to decisions and why. And, here again comes the question up to which degree maximizing utility is the main motivation for such decisions. Factors important for decision making on the household level are manifold:

- evaluate all household activities (production and wage-earning activities)
- Pooling and distribution of food and cash etc.
- Organisation of the household
- Degree of autonomy and responsibility of each member, power relations and bargaining spaces allowed to members according to age and gender
- Scope of conflicting preferences

- Who is the coordinator of activities and the one who makes decisions on behalf of its members? Is it only the household head?
- cost of purchasing food relative to the cost of producing it
- The ability to gain access to land as family size increases

Chapter Four

4. Exchange, Distribution, Reciprocity, Markets and Ceremonial Exchange

4.1. Distribution

In contrary to subsistence economy, distribution is a way how people acquire goods and services which they did not produce by themselves. There are three different forms of distribution: reciprocity, redistribution and commercial or market exchange.

4.1.1. Reciprocity

Reciprocity is a form of mutual exchange among socially related persons or groups. The principle of mutuality is crucial here, it is a giving and taking between equals.

There are three different kinds of reciprocity: (a) generalized reciprocity, (b) balanced reciprocity and (c) negative reciprocity.

(a) **Generalized reciprocity** is a distribution of goods with no immediate or specific return expected.

-An exchange that happens without any explicit statement that anything is expected in return.

Its any transaction that at least appears to be altruistic, such as help, sharing and hospitality

-The obligation to reciprocate, if at all exists, is vague.

-Material aspects of transactions are less significant than moral / social aspects.

-It is based on understanding that the receiver should, at some undefined point of time in the future, reciprocate if possible.

-The value/quantity of return to donor is undefined.

-Despite the vague obligation to reciprocate, failure to do so does not usually stop the giver from giving again

-Usually occurs among close kin.

(b) **Balanced reciprocity** is the exchange of goods of nearly equal value, with a clear obligation to return them within a specified time limit.

-It is a direct exchange where one thing is exchanged for another of equal value without delay.

-The term applies to transactions in which a return of equal value is made within definite time-buying, selling, trade, payment etc.

-The social relationships underlying balanced transactions is less personal and more economic than that underlying generalized reciprocity.

-The material aspects of transactions are as important as social aspects and the values of goods and services are calculated fairly precisely.

-Example: Kula ring, Trobriand Islands:

-One trader gives partner a white arm band.

-Expects a red necklace of equal value in return.

-Usually occurs among distant kin

-Functions:

Giving up self interest / hostility for sake of mutual benefit – hence used for strengthening types of social contracts (marriage transactions and formal friendships)

Ethnographic example for balanced reciprocity in ceremonial exchange: the Kula ring

A prominent example of an economic circle of reciprocal exchange is the so-called Kula ring observed by Malinowski:

-Participants travel at times hundreds of miles by canoe in order to exchange Kula valuables which consist of **shell-disc necklaces** that are **traded to the north** (circling the ring in **counter-clockwise** direction)

-The terms of participation vary from region to region.

-A pattern of exchange among many trading partners in the Trobriands and other South Pacific islands.

(c) **Negative reciprocity** is an exchange conducted for the purpose of material advantage and the desire to get "something for nothing", or to get in return more than you have given.

-Direct exchange of goods and services between two parties.

-If A gives something to B, B in turn gives something to A.

-Reciprocity is usually conceived as a process of balancing values – a one for one exchange.

- It involves trying to get something for nothing.
- Most impersonal form of exchange.
- Material aspects of transactions are all important.
- Two sides involved in the transactions are entirely opposed.
- The flow of goods is in one direction only.
- It is an act of taking rather than giving.
- Examples: deception, theft, cheating, hard bargaining etc.

4.1.2. Redistribution

Redistribution designates a type of exchange in which goods are collected from members of the group and then redistributed to the group (Examples: Mahber, Iddir, Iqqub).

- Redistribution is the accumulation of goods or labor by a particular person, or in a particular place, for the purpose of subsequent distribution.
- Important in societies that have a political hierarchy (for example in chiefdoms).
- Wealthy are generally more likely than the poor to benefit.

Ethnographic example for ceremonial redistribution: Potlatch

Potlatch is a competitive giveaway ceremony practiced by the Kwakiutl, Haida, Tlingit, Tsimshian, Salish and other groups of the Pacific northwestern coast of North America.

-The potlatch is an example of a gift economy; the hosts demonstrate their wealth and prominence through giving away their possessions and thus prompt participants to reciprocate at their potlatch.

-Dramatic depopulation resulting from post-contact diseases and the influx of new trade goods dramatically affected the nature of potlatches, which began to extend to the entire population. The result of the new surplus, cultural trauma, and the competition caused by wider inclusion was that prestige (social capital) was created by the destruction of wealth, rather than the redistribution of it.

4.1.3. Commercial or market exchange

According to economists, a commercial or market exchange system is *an economic system in which goods and services are bought and sold at a price determined by supply and demand.*

Market exchange is *impersonal* and occurs *without regard to the social position of the participants*. When it is the key economic institution financial goals become the chief goals while the importance of social and political goals (e.g., social justice) decreases.

Market exchange includes all *exchanges or transactions in which the "prices" are subject to supply and demand*, whether or not the transactions actually occur in a marketplace. Market exchange involves not only the exchange of goods, but also transactions of labor, land, rentals, and credit.

4.1.3.1. Markets: Anthropological Aspects

Markets

Anthropological attention focuses on patterns of individual and small-group exchange relationships within specific markets, on institutional structures that organize markets, and on the social, political, and spatial hierarchies through which markets link social classes, ethnic groups, or regional societies into larger systems. Anthropological studies of markets analyze them as nodes of complex social processes and generators of cultural activity as well as realms for economic exchange. Anthropologists' interests in markets, therefore, are partially distinct from although certainly overlapping with the concerns of economists.

The term 'market' is inherently ambiguous. Abstractly, 'market' refers to exchange organized around principles such as 'price' or 'supply-and-demand.' 'Market' may also refer to specific social relationships and frameworks through which economic transactions take place. Markets, in the first sense, are networks of economic processes and transactions which may occur without specific locations or spatial boundaries for the transactional universe. In the second sense, markets are social institutions, often located in geographically distinct places, which encompass specific social, legal, and political processes that enable economic transactions, but also extend far beyond them.

Marketplaces embody a localized set of social institutions, social actors, property rights, products, transactional relationships, trade practices, and cultural meanings framed by a wide variety of factors including, but not limited to, 'purely economic' or 'market' forces.

Anthropological approaches to markets sometimes focus on the formal properties of exchange systems as frameworks for organizing behavior, relying on quantitative analyses of exchange relationships. However, anthropologists generally place such analyses within wider ethnographic contexts that see marketplaces as specific locations and social frameworks, characterized not only by economic exchanges in and among them, but also by their equally

vital roles as arenas for cultural activity and political expression, nodes in flows of information, landmarks of historical and ritual significance, and centers of civic participation where diverse social, economic, ethnic, and cultural groups combine, collide, cooperate, collude, compete, and clash.

Retail and wholesale markets are structured quite differently around the distinct activities and social roles of consumers, producers, and traders. Some markets handle physical commodities; others trade intangible financial assets. Many marketplaces are permanent, but in some societies markets are periodic, held at regular or irregular intervals, sometimes as one stop along regional circuits for peddlers who visit specific sites on a fixed cycle.

Many small-scale markets are socially embedded in communities, where producers and consumers deal face-to-face over the vegetables, chickens, or bolts of cloth that are the stuff of daily life, whether in a peasant community, an urban bazaar, or a farmer's market in a middle-class suburb. Local markets, as well as much more specialized ones such as urban wholesale markets of professional traders, are often organized around complex, multi-stranded relationships that intertwine gender, ethnicity, class, and kinship, as well as economic role. Other very different kinds of markets (not marketplaces) embody diffuse, impersonal (and perhaps anonymous) ties among trade partners, such as in 'spot markets' where economic actors interact only through a one-time transaction, as in many real estate markets, labor markets, and global commodity markets for things such as sugar, coffee, or rubber. Long-distance trade both in exotic products and mundane commodities may pass through highly specialized marketplaces that coordinate a regional or a global industry. Some long-distance markets are organized around small tightly knit communities of professional traders who transact business within networks of trust built on ethnic solidarity, such as New York's diamond exchanges or Ibadan's Hausa traders.

Markets exist along the most informal sectors of society and the most highly regulated. Some markets are organized through informal or quasi-formal institutions (open and above board, but outside the realm of legal or political attention), while others are 'gray,' 'black,' or entirely illegal. Other specialized markets for professional traders are organized within tightly regulated institutional frameworks that govern access, terms of exchange, reporting requirements, or public accountability; some examples include stock markets, commodity exchanges, and other financial markets.

Whether informal or formal, the frameworks of regulation that encompass the smooth functioning of any market usually mix self-regulating mechanisms created by market participants themselves with those imposed by political or legal authorities. The social, institutional construction of trade and markets is evident in the widely varied price mechanisms, bartering, bidding, haggling, setting posted prices, or negotiating contracts, as well as discounts, rebates, or kickbacks that are established in various markets, reflecting and shaping very different balances of market power among buyers and sellers.

4.1.3.2. Markets as Institutions

Anthropologists focus ethnographically on the social structure of markets as institutional systems, the transactional behavior of market participants, and networks among trade partners or among markets. They emphasize how economic activity is embedded in social institutions and relationships which structure solutions to economic problems (sometimes conceptualized as 'transaction costs'). These costs, which any market or enterprise inevitably faces are not only direct overhead expenses on specific exchanges. More generally, the economic and social costs of exchange include those of establishing trust and reliability among trade partners, soliciting or extending credit, guaranteeing stable sources of supply, enforcing compliance with agreements, recruiting labor, distributing profits, monitoring employees, obtaining information on market conditions, creating or enforcing property rights, managing risk, and so forth.

Various patterns of social structure that enable markets to form and economic transactions to occur are often conceptualized by anthropologists influenced by institutional economics and sociology in terms of 'governance structures,' the institutional structures that organize, constrain, and coordinate economic activities, that sanction some behaviors and provide incentives for others. Different governance structures different forms of market relationships, different forms of business organization provide different solutions to the challenges of achieving social and economic integration over the 'transaction costs' that all economic institutions must bear. Governance structures are, therefore, social institutions and systems of norms familiar to anthropologists in many other contexts and subject to similar kinds of social and cultural analyses.

Governance structures range along a theoretical continuum, from 'market governance' to 'governance by hierarchy.' In the former, an economic actor relies on the competitive forces of a spot market to obtain the goods, services, and trustworthiness it requires; in the latter, an

economic actor controls goods, services, personnel, and reliability through direct ownership and administrative fiat (as in a vertically integrated industrial corporation). Midway between these extremes is governance by 'relation' or 'obligation' contracting, in which partners in ongoing exchange relationships agree, formally or informally, to do business with one another over time, relying on the strength of personal ties (such as trust) to overcome problems that may arise in the relationship because not all the terms and circumstances of trade are (or can be) specified ahead of time.

Anthropological analyses of markets often focus on the social and cultural patterns sustaining this middle form of governance, such as frameworks of self-regulation, the management of common property, the structural relationships between producers and buyers, the disposition of market power, or the political dynamics of trading communities. Other studies examine the creation of personal ties of trust and reciprocal obligation, and the micro-level transactional behavior among individual traders and other market participants. Some studies place market relationships within a broader cultural milieu of interpersonal interactions; still others examine negotiating, bargaining, or haggling as a transactional game through which traders form what Plattner calls 'equilibrating relationships.' Implicit and explicit decision-making models used in daily trade have been collected ethnographically to illustrate how economizing strategies are embedded in culturally or socially specific contexts. Information costs and transactions costs have been analyzed.'

4.1.3.3. Markets and Urban Life

Throughout history, cities and markets have sustained each other, the former providing location, demand, and social context for the latter; the latter providing sustenance, profit, and cultural verve to the former. In many places, towns and marketplaces grew up together, with marketplaces as centers of economic and social life (and eventually political life as well) and as the institutions through which towns and cities were linked to their hinterlands and to other communities.

Markets mediate connections and conflicts among very different segments of an economy or a society: across divisions between rural and urban, peasant and capitalist, pre-modern and modern, colonized and colonizing, or informal and formal sectors. These mediating roles have been examined in urban markets (in the diffuse sense, as in labor markets) and marketplaces (in the more specific sense, of geographically situated hierarchies of trade).

Within commercialized economies, distribution channels and markets that connect large-scale business to small-scale family firms are another example of market linkages across social and economic sectors. Market hierarchies have themselves been a major topic of study. Central place theory analyzes the spatial distribution of markets within hierarchies of settlements ('central places'), and within anthropology has been applied to peasant marketing systems and to interrelationships among urban markets. Alignments of trading patterns within market systems have been shown to be important indicators of a wide variety of other social, political, administrative, and ritual aspects of local, regional, and national organization. Also known as 'regional analysis,' this approach was developed in anthropology by Skinner's ethnographic and historical research in China (Skinner 1977), and by extensive studies in Meso-America and elsewhere (Smith 1976).

The cultural environment of trade and marketplaces is also a central aspect of urban life. In the repertoire of crucial social relationships and roles filled by urban residents. Hannerz (1980) includes 'provisioning relationships,' which necessarily involve people in exchange, within and outside of markets. In a spatial sense, marketplaces can be analyzed as a distinctive kind of urban place with economic as well as many political, social, and ecclesiastical functions, but most anthropologists situate marketplaces not simply in spatial terms but within the wider cultural milieu of a society's values, norms, and texture of relationships (Geertz 1979).

Markets do not just organize sources of supply; they also satisfy (or create) demand and desire, as stages upon which consumption is rehearsed and displayed. Many studies of consumption take Bourdieu's perspectives on 'taste,' 'distinction,' and 'cultural capital' as points of departure for examining the cultural force of markets in shaping contemporary urban life. So Redfield and Singer's earlier formulations of 'the cultural role of cities,' which placed the marketplace at the heart of the 'heterogametic city,' a city that links itself to a wider world and, in the process, transforms the city, the rural hinterlands with which the city is interdependent, and society at large.

4.1.3.4. Markets and Globalization

More recently, sweeping transnational economic, political, and social forces have eroded the separability of societies and perhaps have disestablished the primacy of cities as nodes of exchange, but have accentuated the importance of markets. Since the early 1990s, proponents of globalization as a distinct type of social transformation have emphasized markets (in their

deteriorated sense) as central to this change. Globalization, in this view, is the expansion and ultra-integration of markets on an unprecedented scale, creating markets that incorporate societies, social sectors, and commodities that had formerly resisted or been outside market spheres of exchange. This process presumably has weakened nation-states, and has been facilitated by the increasing speed (or fluidity) of communications, transportation, media, and flows of goods, financial assets, and people, all sustained and accelerated by major technological breakthroughs in electronic media and information processing. Of course, new patterns of global integration formed around markets are themselves nothing new. Anthropologists and sociologists have examined trade and market hierarchies as they establish linkages throughout what Immanuel Wallerstein conceptualized as the 'world system.' Within this expansion of Western European societies to incorporate most of the globe into their spheres of economic, political, and military hegemony, markets have been critical organizing principles for economic, social, political, and cultural phenomena on regional and national as well as global scales. The political economy of the contemporary world system can be seen through complex networks of 'commodity chains': the links, stages, and hands through which a product passes as it is transformed, fabricated, and distributed between ultimate producers and ultimate consumers (Gereffi and Korzeniewicz 1994). Such chains connect far-flung components of the 'global factory,' the international division of labor among societies whose specialized niches in the world economy may center on resource extraction, low-cost fabrication, transportation efficiencies, or highly developed consumer markets.

Commodity chains are useful for understanding the widely dispersed industrial production characteristic of contemporary transnational trade as well as the fluidity of the circulation of agricultural and other commodities between producer societies on the global periphery and consumer societies of the global core. Sugar, for example, stands as a commodity at the intersection of imperialism, the colonization of the Caribbean as a region of plantation-slave societies, and Western European industrialization. The contemporary coffee trade in the Western Hemisphere reflects North American hyper consumerism and the skillful marketing efforts of mass-market which form new structural linkages between producer and consumer societies within systems of cultural symbolism and identity based on consumption style.

Against a backdrop of globalizing markets for commodities, people, assets, and images, proposes that contemporary flows of transnational culture be conceptualized as the complicated ties of people(s), of technology, of capital, of media representations, and of political ideologies that concurrently link and divide regions of the globe. These aspects

resemble diverse and intersecting markets that exchange items and images across the globe, and across domains, creating value and the possibility of exchange through unexpected combination and disjuncture. The global integration (or disintegration) implies a deteriorated world in which *place* matters little, but the fluidity of exchange is everything. These loosely coupled domains are organized around particular processes (migration, investment, representation, or consumption), and a varied repertoire of influences may travel quickly, in many directions almost simultaneously, across these domains. The center or disseminator of influence on one 'aspect' may be simultaneously the periphery or recipient of influence on another. This decentralized, deteriorated global culture is a world of many markets (broadly conceived) but few marketplaces, few specific central places of interaction. In contrast, Hannerz (1996) locates these processes (or markets) in world cities, nodes that receive, coordinate, and disseminate cultural content and creativity to locally synthesize global elements into diverse, multiple patterns of regional culture.

The trends that created this 'global cultural supermarket' (to use Stuart Hall's phrase) involve markets more than just metaphorically. The commoditization of human bodies in global flows of guest workers, sex workers, and refugees involves markets of hope, desire, and misery. Global industry's ability to shift production from place to place has created markets for 'pollution credits' among different jurisdictions. The development of deep-sea diving equipment has reinvigorated debates over ownership of the seabed, and has vastly extended property rights regimes over global oceans. Electronic media have created commercial forms online auction sites, for example that raise familiar questions about trade partnerships, rules of trade, and principles of reliability. Global financial markets can now operate 24 hours a day, further transcending spatial and temporal (and hence political) limitations on their operations. The digitization of information into electronic form has created new forms of property rights (patents and copyrights) based on the value of and the exchange rights inherent in retrieval systems rather than underlying information. Common cultural heritage has been converted to 'content,' a commodity with which to fill information delivery systems. Biotechnology has created new crop species, and hence questions about the ownership of both new and existing species and the digitized information on human and other genomes as they are decoded. Increasing exploitation of natural resources raises questions about the common property rights of nations and communities over ecosystems, as well as about the ownership and marketability of indigenous knowledge.

The fundamental issues of anthropological interest in markets and exchange (what is property? who can own it? how can it be exchanged?) are not issues simply of trying to understand small-scale, isolated societies in antiquity and the recent past. How markets are constituted, who has access to them, and how they affect the social order as a whole continue to be current issues, affected by the transformations now taking place on a global scale, creating new integrations of local and transnational market systems centered around new forms of property and new media of exchange. Anthropological analyses of these markets address cultural and social issues as fundamental as those raised by analyses of traditional patterns of exchange in peasant marketing systems. Anthropological interest in markets will continue to focus on emerging practices of capitalism as a global cultural and social system.

Chapter Five

5. Models of Human Behavior

Each model has their adherents in every discipline (economics, sociological, and anthropological). However, instead of giving them disciplinary labels it is better to call them selfish, social, and moral. There three models of human behavior and decision making namely, self-interested, social and moral model.

5.1. The Self-interested model

Modern economic theorists assume that people (the rational individual “economic man”) maximize their individual utility, even when they may appear to be altruistic. As to this model Selfishness is natural, people are inherently greedy. Modern economics try to soften this argument about selfishness by emphasizing that the individual is not necessarily maximizing material gains.

People actions (behavior) may be motivated by internal utility such as love and security. This softer version of self-interest approach appeal to some anthropologists and sociologists. According to Adam Smith, human are essentially selfish. When human is helping other he says it is b/c of their selfish nature. When people give alms it is to go to heaven.

5.2. The Social Model

-) The social theory of human nature focuses on the way people form groups and exercise power
-) The social person identifies himself with the group motivated by the interest of collectivity- household, , class, nation state
-) Understanding action means studying norms and the solidarity and continuity of the group rather than individual self-interest
-) The social person is ready to sacrifice for the greater good
-) People are “joiners” they want to belong to something, groups, somebody, etc. would give up their autonomy.
-) The real individual human motive do not exist (strongest form of social theory of human nature).
-) Human is a social animal

5.3. The Moral Model (cultural economics)

This model of human behavior has the following characteristics:

-) Actions (behavior) shaped by culturally specific belief systems and values
-) Moral theory assumes that people maximize culturally defined concepts of value that are embedded in common systems of classification and interpretation
-) Symbolic systems and cognitive categories of right and wrong, and good and bad, define the realms of the possible and shape choice
-) They are “believers” whose actions are guided by the desire to do what is wrong/right (ideas of wrong and right we learned along others cultures as people grow up)
-) Moral values flow from a cosmology (a culturally patterned view of the universe)
-) Modern societies lost the morality and ethics that guided behavior in traditional cultures. Now they are replaced by moral selfishness such as competition, jealousy, and greedy.

Chapter Six

6. Cross Cultural Assessment of Economic Systems

This part deals with the variety of economic systems that are present in human societies. Making a living means the relationship b/n the environment and food getting strategy. Geographers' classified aspects of environment in each of them are important for food making in different ways. These include grass land, desert, temperate forest, tropical forest, mountain, polar region. More than environment technology is crucial for subsistence?

The technology + environment determine the livelihood systems

A. Hunting and gathering (foraging)

B. Horticulture (slashes and burn agriculture)

C. Pastoralism

D. Agriculture

When we say subsistence it means the ways in which people getting basic needs. One way of getting subsistence is the environment. The other is through producing and the last one is a combination between the two. Collection is older and production is recent phenomena. The shift from a life style based on collection to production known as Neolithic period. Animal and plant domestication began during this period.

6.1. Hunting-Gathering societies

It is the oldest form of modes of living which is existed before 10, 000 years from now people started production and domestication. Examples: Eskimo/Inuit, in Polar Regions, Kung/Bushmen in Kalahari Desert and Pygmies

Characteristics of hunting and gathering societies

- They are migratory (mobile)
- Territoriality is not their characteristics
- They are band based- connected through marriage (kinship), kin based society, loosely organized

- Mostly occupied the marginal environment
- Division of labor- women are the collectors and men are hunters
- Mostly the vegetation food is important more than 50% in comparison to meat. So women are suffered to collect
- Egalitarian- acephalous- classless, no rank
- Welfare- it is b/c no privet property w/c leads to conflict
- Even no communal property, rather there is no a sense of prop
- They are impoverished, vulnerable to the harsh environment and simply they are in a life and death struggle with the environment.
- B/c they have no technology to adapt the environment
- Marshal Sahlins called these society as “the original affluent society”- leisure is abundant, labor is intermittent, nutritionally rich

Food producing Society

About 10, 000 years ago human began production. This year is a revolution

- Here people for the first time start to control resources
- The shift from food collection to production k/n as Neolithic revolution
- It was begun in different areas (Middle east-fertile crescent, Mesopotamia, China, Meso America around 8000 BC.
- Factors led to productionwere: Population increase, sedentarization and division of labor

6.2. Horticulture

Horticulture also known as **slashes and burn agriculture**, shifting cultivation, Sweden agriculture. It is based on the use of hand tools such as hoe, digging stick, no use of chemical fertilizer rather it is based on ash, no irrigation system, no the use of animals and there is no surplus because no developed market system. They produce tree crops such as banana, figs,

coconut, etc.; Seed crops such as sorghum, oats, millet, wheat, barely, etc.; Root crops such as yam, taro, potato, etc. and Bee production.

6.3. Pastoralism

- Nomadism- indicates movement, lack of fixed residence,
- All nomads are not pastoral
- Hunter gatherers and horticulturalists are also nomads but not pastoralists
- **Pastoralists-** who obtain their subsistence from domesticated livestock in terms of direct- through meat, milk, butter, etc. and indirect- through market exchange
- Nomadism and pastoralism are not the same b/c the former indicates movement and the later subsistence. Hence to obtain food pastoralists should move

E.g. there are pastoralists in Texas, Denmark etc. but they are not nomadic

- Nomadic pastoralists feed their cattle not in fenced (well managed pasture) but on open natural pasture.
- But pastoralists who are not nomadic feed their cattle based on fenced pasture
- When the environment allow they also engage in trade. E.g. Afar pastoralists practice in selling salt
- Pastoralists also engage in agriculture other than animal-husbandry when the environment allow them
- ❖ Based on movement they are classified as
 - Nomadic pastoralists- much more mobile e.g. Somali in Ethiopia
 - Semi-nomadic- relatively have camps, relatively fixed, they are characterized by back and forth movement b/n seasons – relatively the distance they move is shorter
- ❖ On the basis of livelihood
 - **Pure pastoralists-** who obtain their subsistence dominantly from livestock through meat, dairy, etc. Here livestock is also a means of exchange and wealth

accumulation. Animals also have symbolic values for social life, for ritual, for gift, for blood compensation, for bride wealth, etc

- **Agro- pastoralists-** people derive the bulk of consumption from agriculture. E.g. Dessoanech, Hamar but they still assume as pastoral

Nomadic pastoral zones

1. The pastoral zone of cattle raising

- Lies south of the Sahara , East Africa, West Africa,
- E.g. Fulany in W. Africa, Massai in Kenya, Somali in Ethiopia

2. The desert zone of camel pastoralism

- In N. Africa- Tunisia, Algeria, etc
- The Beduin in N. Africa is typical example
- Here camel used in terms of milk, meat, and for transportation. So, camel is subsistence, driving animal and pack animal
- It is k/n as the ship of the desert

3. The zone of sheep and goat pastoralism

- Started from sub-sahara, south east Asia, and Medetranean
- Iraq, Argentina, and Pakistan are typical examples
- This zone is mountainous

4. The Steppe nomads- horse riding nomads

- Practiced in S.E Asia, Mongolia, S. Russia, etc
- Here horse is the most important but sheep and goats are also common
- Horse meat, milk, and blood is consumed

5. The high altitude nomads of the Tibet plateau

- Yak is very important animal plus sheep and the hybrid of cattle and Yak are common.

- Yak's milk and meat is consumed

Ethiopian pastoralists

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

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

Characteristics of pastoralists in Ethiopia

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

Similarities:-

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

Cattle and sheep – grazers

Camel and goat – browsers

They mixture these animals based on resources and diseases

- Herd maximization

Tendency to have more animals to afford risks from cattle death, theft, drought, etc.

Communal ownership of range land. But it doesn't mean that completely free rather there are rules and regulations in clan, etc.

6.4. Agriculture (Intensive cultivation)

- It is based on animal power and machinery
- The use of the plow- through draft animals (oxen, horse)
- Use of fertilizer, manure, irrigation
- Use of wheel for transporting products, for pulling out water from the ground etc.

6.5. Peasants (peasantry)

The Social definition of peasant is those who are in process of transition from horticulturalist to industrialist. According to Kroeber, peasants are part societies with part culture- they are part of the larger society but they have also their own identity. They are isolated, oppressed, subject to the politics, and have also role in the market (they are living in the two worlds). Peasants are rural cultivators whose surplus extracted by the dominant groups or rulers.

- Peasants are not uniform rather differentiation characterizes them
- Peasantry is based on land, labor, and consumption
- The land tenure system of peasants distinguish them from other modes of living
- Family labor is the defining characteristics of peasants
- Subsistence (consumption)- producing more for local consumption is also characterize peasants

6.5.1. Theories of peasantry

- A. **Homogeneity theory:** - peasants are distinct from other, resistant for change, identical because of cultural, ideological and institutional factors. The socio-economic differences between households are uniform /undifferentiated. According to Eric Wolf,

they have shared poverty- sharing something through rituals. According to George Foster it is due to their “cognitive orientation”- have common psychology.

- B. **Heterogeneity theory:** - peasants are ready to change (social and economic differentiation among peasants). Differentiation- the transformation of peasant society, they produce market oriented products which interconnect them with international world through market. E.g. peasants in America

6.6. Allocation of Natural Resources

- Every society has access to natural resources
- There are institutions , rules, regulations, norms in relation to access to resources
- In hunting-gathering society there is flexible and open border
- In nomadic pastoral societies the most important resources are pasture and water
- Horticulturalists owned land communally through kinship groups

Communal Vs. Territorial Ownership

- Open or free access vs. private ownership of resources
- According to the economic defensibility model, when resources are dense and predictable it is more territorial.
- Territoriality has both costs and benefits
- When resources are sparse no need to defend rather better to scramble b/c the defensive costs are high in comparison to the benefits from resources

Land use right

- Rist- land use right
- **Guilt-** land holding right
- Rist is a birth right, hereditary to use land through being a member of a certain descent member
- **Guilt-** the right to administer the land w/c is given to churches and individuals from the state

- Rist land is the land itself w/c is owned based on rist right. But rist right is the idea that thinking to possess the land through his/her descent members

6.7. Market Economy

A market economy is an economic system controlled, regulated and directed by markets alone; order in the production and distribution of goods is entrusted to this self-regulating mechanism ... Self-regulation implies that all production is for sale on the market and that all income derives from such sales.

The Market Principle

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

Chapter Seven

7. Development and Economy

7.1. Development Theories

Theories of development have been motivated by the need to explain mass poverty.

Interest in development issues is dating back not much earlier than the 1950s and early 1960.

The development schools of thought emerged roughly in the following chronological order:

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

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

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

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

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

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

- ❖ The traditional society;
- ❖ Preconditions for take-off;

- ❖ Take-off;
- ❖ The road to maturity
- ❖ The age of mass consumption.

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

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

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

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

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

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

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

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

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

7.1.4. Basic needs approaches (late 1970's)

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

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

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

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

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

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

While the **traditional sector** is socially and economically organized predominantly along non-capitalist lines, reflecting the unity of production and consumption,

the **modern sector** is organized on the basis of the capitalist mode of production, in which the direct producers are separated from their means of production.

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

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

stabilizing population;
reducing migration;
ending of core exploitation; and
supporting the long-term sustainable resource management

Livelihood means adequate stock and flows of food and cash to meet basic needs;

security refers to secure ownership of, or access to, resources

sustainable refers to the maintenance or enhancement of resource productivity in the long term.

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

7.1.7. Dependency Theory

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

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

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

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

According to the dependency theorists, this process led to a growing social, political and economic marginalization of many Latin Americans. This large-scale marginalization could not be adequately explained by the then-current modernization theory, which blamed the

traditional (meaning non-functional or even dysfunctional) values of the marginalized population for preventing their integration into the economic dynamic.

A numbers of political events were also of significance in the birth of dependency theory. 1.

The **Cuban revolution**. In 1959 this event presented Latin America with the possibility of socialist revolution. This created the demand for theoretical support.

2. The **military coup in Brazil**. This coup d'état in 1964 led to a policy that opened the floodgates for foreign capital, resulting in increasing marginalization of the working population.

3. The **US invasion of the Dominican Republic**. In 1965 this invasion quashed a popular uprising, emphasizing that imperialism was prepared to defend its interests in Latin America. **Anti-imperialist feelings** in Latin America stiffed up by this intervention played a distinct role in the development of dependency theory.

The consensus of all dependency theories is the following:

Underdevelopment is a historical process.

It is not a necessary condition for the countries of the "Third World".

The dominant and dependent countries together form a capitalist system.

Underdevelopment is an inherent consequence of the functioning of the world system.

The periphery is plundered of its surplus: this leads to development of the core and underdevelopment of the periphery.

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

Multinationals impose a universal consumption pattern, without taking local needs into account.

They use capital-intensive techniques in areas with large labor resources.

They out-compete national capital, or undertake joint ventures with local capital.

They use a variety of methods to transfer capital (e.g., fictitious price systems).

They involve themselves in national political and economic affairs, via (among others) their relationships with the local bourgeoisie (ruling class).

In short, the contention was that both penetrations of bank and industrial capital, and a consumption ideology that alienated the periphery from itself and made it dependent on the core, led to large-scale marginalization and the non-realization of development potential.

7.1.8. Modes of Production Theory

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

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

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

number of modes of production coexist in a society, and that they have a relationship to each other (regarding exchange of labor, goods, capital, etc.):

they articulate with each other.

Further, it was thought that a relationship between capitalist and non-capitalist modes of production was favorable for the capitalist mode of production.

7.1.9. World Systems Theory

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

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

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

- kinship modes, "based on consensual definitions of value, obligations, affective ties, kinship networks, and rules of conduct";
- Tributary modes, based on political (including legal and military) coercion; capitalist modes, based on the production of commodities;
- "hypothetical" socialist modes, that is, democratic systems of distribution based on collective rationality;

- The different modes of accumulation can co-exist within the same system, and there are also transitional and mixed systems. In a process of incorporation separate systems become linked. The nature of this process changes with the mode of accumulation (Chase-Dunn/Hall 1997 cited in Eades 1997: 34).

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

Unequal trade, the exploitation of the periphery by the core, and the existence of a world market were concepts

capitalist world economy had existed since the 16th century, that is, since the beginning of the colonial era.

non-capitalist modes of production as a part of capitalism

Increasingly, countries, which were previously isolated and self-supporting, became involved in the world economy.

The final result is the creation of a **core** and a **periphery**, with a number of **semi-periphery countries** in between.

The core consists of the industrialized countries, the periphery of the agricultural export countries.

The origin of development and underdevelopment is then found in the incorporation of countries within the world system. Under development occurs because countries are subject to a trade regime and produce for a world market that is characterized by unequal trade.

7.1.10. Theory of Globalization

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

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

- a) To recognize that global communications systems are gaining an increasing importance every day, and through this process all nations are interacting much more frequently and easily, not only at the governmental level, but also within the citizenry;
- b) Even though the main communications systems are operating among the more developed nations, these mechanisms are also spreading in their use to less developed nations. This fact will increase the possibility that marginal groups in poor nations can communicate and interact within a global context using the new technology;
- c) The modern communications system implies structural and important modifications in the social, economic and cultural patterns of nations. In terms of the economic activities the new technological advances in communications are becoming more accessible to local and small business. This situation is creating a completely new environment for carrying out economic transactions, utilizing productive resources, equipment, trading products, and taking advantage of the “virtual monetary mechanisms”. From a cultural perspective, the new communication products are unifying patterns of communications around the world, at least in terms of economic transactions under the current conditions;
- d) The concept of minorities within particular nations is being affected by these new patterns of communications. Even though these minorities are not completely integrated into the new world systems of communications, the powerful business and political elites in each country are a part of this interaction around the world. Ultimately, the business and political elite continue to be the decision makers in developing nations;
- e) Cultural elements will dictate the forms of economic and social structure in each country. These social conditions are a result of the dominant cultural factors within the conditions of each nation.

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

7.2. Subsistence economy and political economy

Analytically, we can distinguish between two types of economic systems: (1) the subsistence economy and the (2) political economy. The basic dynamics of these two types are different.

1. **Subsistence economy:** - In traditional societies a large part of the goods produced are consumed directly by the producers who, therefore, do not rely on exchange. This form of economy (and the part of the economy which functions in this way) is called subsistence economy. Subsistence economy is typical for hunters and gatherers as well as for horticulturalists and agriculturalists as long as they are not too much integrated into a market system which leads them to produce according to demand. Today, subsistence economy still plays a major role in many countries of the world, including Ethiopia. But since nowadays everybody needs money for cloths and schooling etc. the need to bring products to the market is ever increasing. In times of financial problems products originally meant for subsistence are sold instead. Poor farmers may not drink any of the milk of their cows themselves because they need cash. Only industrialized agriculture with monoculture production does not necessarily include subsistence economy. However, even in industrialized and urbanized countries a partial subsistence economy, e.g., in the form of private vegetable gardens, can be found. On the one hand, subsistence economy makes people independent from the ups and downs of prices on the market but on the other hand, in the case of subsistence agriculture, hunting, fishing and gathering, makes them more vulnerable to environmental and climate changes. Subsistence economy is a family economy. It is organized at the level of the household to meet basic needs. The simplest form is the “domestic mode of production” (Sahlins 1972). Here, each household is ideally self-sufficient and produces all that it needs. Labor is organized by division of labor by age and sex.
2. **Political economy:** - involves the exchange of goods and services in an integrated society of interconnected families or groups. All cultures have at least rudimentary political economy because families can never be entirely self-sufficient. A true political economy comes into being with the production of surplus (remember my last course on political anthropology). This surplus allows for entertaining social, political and religious institutions run by non-food-producers which may develop into an elite group which may gain control over land and other means of production. The dynamics of subsistence economy are determined by the need to meet household needs. If outside variables

(population, technology, and environment) are constant, it is inherently stable. By contrast, the dynamics of political economy are characterized by the need to maximize income for the ruling elite. It is growth-oriented in a highly competitive political domain, and thus has an unstable nature (Johnson/Earle 1987: 17-15).