

Economists have devoted considerable effort to explaining how a market economy functions, but they have given a good deal less attention to explaining how a market economy is formed. In this book, Jean Ensminger analyzes the process by which the market was introduced into the economy of a group of Kenyan pastoralists.

Ensminger employs new institutional economic analysis to assess the impact of new market institutions on production and distribution, with particular emphasis on the effect of institutions on decreasing transaction costs over time. Having compiled an extraordinary longitudinal data set that tracks a group of households over an extensive period, she traces the effects of increasing commercialization on the economic well-being of individual households, rich and poor alike. In addition, employing anthropological methods, she analyzes the process by which institutions themselves are transformed as a market economy develops. Changes in labor relationships, property rights, and the transfer of political authority from the council of elders to the state are considered in particular detail.

This case study points to the importance of understanding the roles of ideology and bargaining power – in addition to pure economic forces, such as changing relative prices – in shaping market institutions. The combination of new institutional economic analysis and richly detailed anthropological case study produces a work full of insights that may serve as the basis for a more adequate theory of economic development and social change.

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Jean Ensminger

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MAKING A MARKET

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# MAKING A MARKET

*The institutional transformation  
of an African society*

JEAN ENSMINGER

*Washington University in St. Louis*



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For demonstrating the value  
of asking the right questions,  
I dedicate this book to  
Ronald Cohen and Douglass North

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## *Series editors' preface*

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This Cambridge series, *The Political Economy of Institutions and Decisions*, is built around attempts to answer two central questions: How do institutions evolve in response to individual incentives, strategies, and choices; and how do institutions affect the performance of political and economic systems? The scope of the series is comparative and historical rather than international or specifically American, and the focus is positive rather than normative.

This book breaks new ground in applying the tools of the new institutional economics to anthropology. The result is rich fare for both anthropologists and other social scientists. It is rich for anthropologists because the author convincingly demonstrates the power of the new institutional economics to shed light on the way a group of Kenyan pastoralists known as the Orma evolved in the context of the spread of a market economy and the way Orma society was transformed as a result. Jean Ensminger makes a convincing case that anthropologists will find this approach congenial because the new institutional economic perspective combines the individual-actor approach of economics, a strong appreciation of institutional constraints, incentives, and ideology from anthropology, and the attention to power that we associate with Marxist analyses. As the author says, "The goal is a more complete and realistic model of social change than that afforded by any of the approaches on their own."

The study is equally rich for other social scientists because of the body of empirical data the author developed in the course of years of close contact with the Orma. These data provide solid support for the author's analytical insights, as well as important new insights into the process of institutional change.

A melding of the analytical insights of the new institutional economics with the voluminous body of empirical data that anthropologists have developed is long overdue. This study should provide solid incentives for other anthropologists to combine these two perspectives.

## *Preface*

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In the 1970s and 1980s, neo-Marxist perspectives predominated in economic anthropology and political economy. Many studies documented the tendency for market relations to increase economic differentiation in the developing societies typically studied by anthropologists. The rich always seemed to get richer, sometimes the poor got poorer, sometimes the poor got richer, but rarely did the poor do as well as the rich; the gap widened. This story was documented over and over again (including in my own work), to the point that anthropology was becoming a “dismal science.” Frustrated both by the pessimism of these conclusions and by the seeming dead end of the story, I began searching for a new theoretical direction. This I found in the form of the new institutional economics.

Institutional economics combines an individual-actor-oriented perspective with rich attention to institutional constraints, and it specifically addresses the relationship between market forces, indigenous institutions, and economic performance. The underlying assumption is that institutions directly affect economic outcomes (distribution and growth), that individuals realize this, and that they attempt to change institutions to serve their ends more effectively, whether these ends be ideological or materialistic. The relative success of different actors in getting the institutions they want derives in part from their bargaining power in the preexisting institutional structure. The outcomes of this process often have unintended consequences, and by no means need result in institutional arrangements that better serve the interests of society as a whole. This book uses an institutional economic framework to tell the story of how the market came to a group of Kenyan pastoralists known as the Orma and what effect it had on local institutions, economic performance, and welfare.

I owe my discovery of new institutional economics to being in the right place at the right time. I was hired by the anthropology department at Washington University in 1985. Thanks to the encouragement of Robert

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Canfield and Andrew Rutten, I began attending seminars at the Center in Political Economy (then under the direction of Douglass North) and became a fellow in 1988. Douglass North's work on transaction costs, property rights, and institutional change had a tremendous influence on the direction of my own research agenda. It appeared to me (and still does) that economic historians had more than a chronological edge over economic anthropologists when it came to the theoretical questions of interest to us both. Anthropologists, for their part, have invaluable data and deep intuitions about issues of mutual theoretical concern. I owe a great deal of my intellectual development and stimulation to the weekly seminars at the Center in Political Economy and to all of the participants, especially Lee Benham, Arthur Denzau, John Drobak, Þráinn Eggertsson, Jack Knight, Gary Miller, Douglass North, John Nye, Andrew Rutten, and Norman Schofield.

Just as my discovery of new institutional economics was an accident, so too was my introduction to African studies. I originally went to Africa at the invitation of Louis Leakey, who needed someone to edit his ethnography of the southern Kikuyu. Though he died several months after my arrival, I continued working on the manuscript for several years at Mary Leakey's request and in collaboration with Louis's sister, Gladys Beecher. Louis told me when I arrived in Kenya, "No one ever visits Africa only once." Indeed, five trips later, I have now lived in Kenya for six years, four of them with the Orma, who are the subjects of this work.

I had the great fortune upon arrival among the Orma to settle with the Shambaro family in the village of Wayu. I doubt that any anthropologist has been more graciously and thoughtfully cared for by a host family. Shambaro Elema died at the age of eighty-seven during the last month of my fieldwork in 1987; he was a remarkable man and I am grateful to have been there for his passing. Hagufu Shambaro, his surviving senior wife, is one of the most noble and socially perceptive people I have ever know; she also helped provide me with the most treasured commodity an anthropologist can find in the field – occasional privacy. Shambaro's son Hussein was my research assistant for nearly three years between 1978 and 1981. By the time I returned for my restudy in 1987 Hussein had become chief, but nevertheless kindly welcomed me to reside again with his family, by then including his two wives, Galgalo and Esha, and a new, younger generation.

The richness of the quantitative data reported in this study is the result of the slogging efforts of Hussein Shambaro and my other Orma research assistants, particularly Omar Bonea and Hassan Galgalo (1978–81) and Kolde Abalaga, Dendole Balesa, Osman Elema, Mohamed Hanti, Omar Kampicha, Mahad Komoro, and Zeituni Shambaro (1987). Hundreds of

### Preface

Orma families tolerated the inconveniences of panel survey demands. It is my hope that their investment in this project will be repaid.

The Kenyan government has twice granted me research clearance to study among the Orma. On the first occasion (1978–81) I was affiliated with the National Museums of Kenya and benefited greatly from the open academic atmosphere prevalent in Kenya at that time. Shem Migot-Adolla kindly facilitated my affiliation with the Institute for Development Studies at the University of Nairobi during my restudy in 1987. Some of the most highly regarded research in Africa has been done in connection with IDS at the University of Nairobi, and it was an honor to be associated with this institute. I am also grateful to numerous agencies that generously funded these two periods of fieldwork and data analysis: Fulbright-Hays, the Ford Foundation, the National Science Foundation (BSN-7904273), the Rockefeller Foundation, the National Institutes of Health (SSP 5 RO1 HD213427 DBS), and faculty research grants from Washington University.

Portions of Chapter 5 appeared as “The Political Economy of Changing Property Rights: Dismantling a Pastoral Commons,” coauthored with Andrew Ruten and published in the *American Ethnologist* 18(4), November 1991. Portions of Chapter 6 appeared as “Co-opting the Elders: The Political Economy of State Incorporation in Africa” in the *American Anthropologist* 92(3), September 1990. Passages are reproduced in this volume with the permission of the publishers.

Several people read various versions of the manuscript. No one gave more willingly of his time than Andrew Ruten, who read several drafts of the entire book and with whom I discussed many of the ideas. Eliot Fratkin took the time to make page-by-page comments on the entire manuscript, which were all the more helpful because he admitted to being unsympathetic to my theoretical direction. An anonymous reviewer perceptively targeted key weaknesses in an early draft and provided much appreciated encouragement. Jack Knight’s insightful comments on the several chapters he read significantly improved the book. Lois Beck, John Bowen, Karen Brison, Robert Canfield, Ronald Cohen, Arthur Denzau, Thomas Håkansson, Gary Miller, and Douglass North read parts or all of the manuscript and contributed their special and diverse expertise. Two foot soldiers were intellectually underemployed for several years doing much of the drone work involved in data analysis and manuscript preparation; James Hauf coded most of the 1987 quantitative data, and Danielle Glossip worked on the manuscript preparation. Their superior intellectual skills are reflected in the final product in many undetectable ways.

Finally, for providing emotional support, and for teaching me to believe in what I know, I thank John Chaves and Eugene Trunnell.