

## I

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*A proper marriage: new institutional  
economic anthropology*

The market has become the dominant mode of economic organization the world over. Economists welcome this as a triumph and stress the virtue of increasing economic efficiency. They assume that the spread of the market is inevitable, the natural outcome of superior performance. Anthropologists, however, are generally less enamored of the market. They point out the social costs of transition that accompany growing market relations, as well as the economic and political inequalities that typically result. Marxists are inclined to focus on the detrimental consequences of *imperfect* markets – for example, the power that monopolists are granted by the political system. Despite the claims of proponents, these approaches are not necessarily mutually exclusive. Some traditional concerns of anthropologists – distribution and ideological legitimacy – may well be central to the efficiency of markets. In a system held to be illegitimate, where people are inclined to cheat every time they can get away with it, there may be little profit. Similarly, more than neoclassical economic theory is needed to help us understand the conditions under which markets become corrupted by the political process and facilitate the formation of politically induced inequality; these issues are often the subject matter of Marxists. The narrowness of the neoclassical approach, however, does not diminish the desirability of better economic performance to support a higher quality of life, especially among the peoples of the developing world with rapidly growing populations. On the subject of economic performance and growth, economists have much to offer. To address these issues, this book develops a new institutional economic (NIE) perspective that combines the individual-actor approach of economics, anthropology's appreciation of institutional constraints, incentives, and ideology, and the attention to power that we associate with Marxist analyses. The goal is a more complete and realistic model of social change than that afforded by any of the approaches alone. To illustrate the approach, this book tells the story of

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how the market spread among the pastoral Galole Orma of northeastern Kenya and transformed Orma society in the process.

For anthropologists, the Orma offer much evidence of the corrosive effects of the market on social institutions.<sup>1</sup> Indeed, one could make a case that their society is disintegrating in the wake of increasing market relations. Pasture that used to be held in common is gradually being privatized. Political power that used to reside with the council of elders is flowing to the central government and is being increasingly vested in the office of the government-appointed Orma chief. Young men openly show disrespect for their fathers and elders, to the point of selling off their elders' livestock without permission. Family herding cooperatives are giving way to pure wage contract herding. Clan exogamy is breaking down as more young people marry for love even within their clan. Widows are refusing to be inherited by their brothers-in-law in levirate marriage and are increasingly living on their own. Even domestic disputes formerly heard by the council of elders are increasingly being taken to the government for adjudication.

One could also make the case that the "moral economy" of the Orma is collapsing. A moral economy (Scott 1976) is one in which a subsistence ethos guarantees at least minimal provisioning to all households. Among the Orma, rich nomadic stock owners used to share their surplus milk freely with poor neighbors. With the increased sedentarization that accompanies market production, most livestock are sent far from the village to cattle camps offering more favorable grazing conditions. Consequently, households purchase their foodstuffs rather than depend on subsistence production. The "value" of milk has risen enormously, and consequently milking stock are almost never loaned, resulting in the disappearance of this once readily available aid.<sup>2</sup>

1 This study is based on research conducted from 1978 to 1981 and a restudy in 1987 among the Galole population of Orma. The Orma are divided into three groups, from north to south: the Hirman, Galole, and Chaffa. As of the 1979 Kenyan census, the Orma numbered 32,127. Although this study applies technically only to the Galole population, the specifics closely parallel those among the other two subgroups of Orma, the main difference being that market relations are more advanced among the more sedentary Chaffa and less so among the more nomadic Hirman. For simplicity, hereafter I refer to the population merely as "Orma." Where it is used, the ethnographic present refers to the time of the restudy, 1987.

2 I do not wish to imply here that I subscribe to Scott's interpretation of the "moral economy." One could also explain the milk transfers of the past as payment in kind for labor, since poor dependent households often did much herding for their patrons. In any case, the point holds that there has been a change in relative prices between the value of labor and the cost of subsistence support. Whether there has been a change in ethos is debatable. For example, because the value of milk was so low, we do not know the strength of the past commitment to provide subsistence support to the poor. In other words, it is possible that the ethos has not changed,

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As Marxists would predict, there is also considerable evidence that commercialization has meant monopolization (at least until recently) and led to proletarianization. The means of production have fallen into relatively few hands, and at least some of the poor are left with no choice but to labor for those few. The percentage of livestock controlled by the poorest sector of the population has been consistently shrinking, at least in the period for which I have data – 1974 to 1987. Smallholders are increasingly turning to wage labor and trade as they lose control over stock (the primary means of production). What is more, these trends show no sign of reversing themselves.

Anthropologists' and Marxists' observations notwithstanding, however, the Orma case offers data that confirm economists' hunches about the benefits of the transition to the market. Many of the recent changes have had some positive economic consequences. My impression is that the poor Orma I had known in the late 1970s, although still poor in relative terms, were somewhat better off in absolute terms in the late 1980s when I carried out my restudy. In particular, they appeared to be better clothed and better fed. This was puzzling, because the Orma had suffered tremendous livestock losses during the 1985 drought, a mere two years before my return. In the end, a quantitative resurvey of the identical area and many of the same households confirmed my impression of economic improvement; income among the poorest third of the population had risen 37 percent in real terms. These income patterns ran contrary to developments in livestock production, where there was a clearly discernible movement toward larger economies of scale. As a result, small- and medium-sized producers were losing ground to larger producers.

The proliferation of alternative income sources prevented the trend toward larger economies of scale in stock production from leading to economic disaster for smallholders (especially given the reduced availability of subsistence support). Flood plain agriculture increased substantially, as did trade and wage labor.<sup>3</sup> The opening of six tea kiosks (small restaurants) in the largest village in my survey, where no such cafés had previously existed anywhere in Galole Orma territory, dram-

but rather that people were never prepared to pay a very high price to support those in need. If this were the case, one could argue that the change in relative prices has resulted in a greater cost than people were ever prepared to pay for this value. See Popkin (1979) for a detailed critique of the moral economy approach.

<sup>3</sup> One should not overemphasize the significance of agriculture in the economy; harvests are successful on average only one season in four, or roughly once every two years, owing to erratic river flooding. Agriculture continues to be a supplemental windfall rather than a reliable subsistence strategy, and it will remain so in the absence of irrigation.

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atizes the extent of change between 1980 and 1987. That one village could support such an expansion of the service sector pointed to the likelihood of substantial diversification and specialization within the economy.

Can these contradictory accounts of the same facts be reconciled? Yes, but in order to do so we need to understand how the economic, political, and social institutions changed into the forms seen in 1987. To comprehend these changes we must look both at individual motivation (institutional patterns result from individual choices) and at the socially determined constraints and incentives that influence what individuals strive for and how they go about realizing their goals. Ideologies determine what people value, while institutions and organizations determine what power people will have and what price they must pay to pursue their goals. Thus the approach I employ explores the interaction of ideology, institutions, organizations, and bargaining power, on the one hand, and individual choice and calculation in the context of changing relative prices, on the other.<sup>4</sup> This approach shows how individuals, acting in the shadow of society, forge the institutions that ultimately determine economic performance and distribution.

IDEOLOGY, INSTITUTIONS, ORGANIZATIONS,  
AND BARGAINING POWER

Any complete account of the growth of the market must focus on the role of ideology, institutions, organizations, and bargaining power. Together, these directly affect economic performance by determining the extent to which people cooperate and realize the gains from trade. Most economists tend to ignore these issues unless they impinge directly on markets. But even informal institutions and values such as notions of social justice and what constitutes “fair play” have a significant impact on economic performance. One of the costs of widening the scope of economic analysis is less “precise” theory, for cognitive and social phenomena are generally “messy” subjects. Works by anthropologists and Marxists have suffered from imprecise theory in part because they have not eschewed the study of such murky phenomena as ideology, institutions, organizations, and bargaining power. Given the many extant usages of these terms in the social science literature, some definitions are in

<sup>4</sup> I use the term “relative prices” rather than “real prices” to focus the reader’s attention on the fact that prices are relative phenomena. Choice depends on the value of something in relation to what one must give up for it. Examples of changes in relative prices include changes in terms of trade – for example, the exchange rate between maize and beef or, on a more abstract level, the increasing value of land due to increasing population pressure.

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order. It is helpful to discuss these terms together, because the boundaries between them are not entirely clear.

“Ideology” refers to the values and beliefs that determine people’s goals and shape their choices. In the jargon of economists, ideology defines what individuals consider to be in their self-interest. This definition is consistent with *any* values that people hold. For example, self-interest could (and often does) include concern for the well-being of others. Of course, values may also be inconsistent (Barth 1981: 49), thus greatly confounding scientific analysis. In addition to defining the ideal world, ideology includes people’s mental models or theories of the way the world actually works (North 1990: 23). Asad (1979: 621), for example, notes that, to many anthropologists, ideology is the “culturally inherited lens of a given society by which external reality is filtered and internalized for its members.” Together, these aspects of ideology have considerable implications for the actions we take: ideology provides the model we invoke to determine both what we “ought” to do and “how” we might best do it. In this sense, mental models are vulnerable to flaws stemming from both cognitive limitations and informational constraints. As Geertz (1973: 198) notes:

First, where social science, shaped as is all thought by the overall values of the society within which it is contained, is selective in the sort of questions it asks, the particular problems it chooses to tackle, and so forth, ideologies are subject to a further, cognitively more pernicious “secondary” selectivity, in that they emphasize some aspects of social reality – that reality, for example, as revealed by current social scientific knowledge – and neglect or even suppress other aspects. . . . Second, ideological thought, not content with mere overselectivity, positively distorts even those aspects of social reality it recognizes, distortion that becomes apparent only when the assertions involved are placed against the background of the authoritative findings of social science.

Even more than ideology, institutions add predictability to human social behavior and facilitate cooperation. For these reasons the study of institutions is critical for understanding economic behavior. Following North (1990: 3–4):

Institutions are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction. In consequence they structure incentives in human exchange, whether political, social, or economic. . . .

Institutions reduce uncertainty by providing a structure to everyday life. They are a guide to human interaction, so that when we wish to greet friends on the street, drive an automobile, buy oranges, borrow money, form a business, bury our dead, or whatever, we know (or can learn easily) how to perform these tasks.

In the sense in which North uses the term, and that adopted here, an institution consists of a combination of *formal rules* (such as those reg-

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ulating the structure of the polity, property rights, and contracting), *informal constraints* (by which North means norms of behavior or the customary rules of the game), and *enforcement* (including that occurring by self-imposed standards of behavior).

This definition is quite similar to some usages in anthropology.<sup>5</sup> Thus Bailey (1969: ch. 1, 1988: 62) defines institutions as the “rules of the game,” and Barth (1967: 663) describes an institution as a “pattern of the allocation of time and resources.” Similarly, Douglas (1986: 46) notes, “Minimally, an institution is only a convention. David Lewis’ definition [Lewis 1968] is helpful: a convention arises when all parties have a common interest in there being a rule to insure coordination.”

Although most definitions of institutions emphasize their permanence and universality (see in particular Hechter, Opp, and Wippler 1990: 1–2), it is important not to exaggerate these features. Indeed, while institutions are significant in reducing uncertainty precisely because they are widely shared and have some degree of permanence, nevertheless there are significant differences in the interpretations of institutional rules (e.g., across gender and class lines) and institutions are continually changing.

Organizations are the easiest to characterize. Again, following North (1990: 5):

Organizations include political bodies (political parties, the Senate, a city council, a regulatory agency), economic bodies (firms, trade unions, family farms, co-operatives), social bodies (churches, clubs, athletic associations), and education bodies (schools, universities, vocational training centers). They are groups of individuals bound by some common purpose to achieve objectives.

Unlike ideology and institutions, organizations are not merely ideas. Organizations are the groups people form to achieve their goals. In this sense they are central to collective action and may be organized with the express purpose of campaigning for changes in the institutional structure or even the underlying ideology of society. The confusion between organizations and the other two concepts arises in part because of the role organizations often play in furthering ideological ends – churches and schools, for example – and in providing a forum through which institutions are played out – Congress, for example.

Like ideology, bargaining power is often overlooked by economists focusing exclusively on exchange within competitive markets (see Knight 1992). In the study of exchange in less competitive markets, however, it is important to analyze the role of bargaining power. Bargaining power

5 Malinowski’s (1945: 49–50) definition of institutions differs substantially from that laid out here. Malinowski effectively lumps together under the term “institution” what have been defined here as the separate concepts of ideology, institution, and organization.

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is one's ability to get what one wants from others. It may come from greater wealth or social position or the ability to manipulate the ideology of others.<sup>6</sup> Bargaining power is consistent with "voluntary" exchange, as when one uses wealth to get compliance, or "involuntary" exchange, as when one uses force to compel others to act in one's interest. In Taylor's (1982: 11–12) terms, this is achieved by altering the incentives of others through rewards and/or threat of penalties. Bargaining power is determined by the preexisting institutional, organizational, and ideological configuration. But the causal relations are more complicated than this; bargaining power can also be used to effect changes in each of these domains. As Bates (1989: 35) points out, power plays a crucial role in institutional change. Changing institutions may be a costly undertaking; those who have the resource endowments to do so may be more effective in influencing the course of subsequent institutional change. Some are also better favored by the current institutional structure to effect further changes. For example, the chief among the Orma is in a powerful position as a consequence of the institutional structure set up by the national government. As chief, he is frequently given a forum for public speaking and often uses it to influence the ideology of the population. For example, he has exercised this option in order to promote the value of education. Other institutions and organizations at his disposal, such as laws mandating compulsory primary schooling, and administrative police, can be used to reinforce this and other objectives. His authority, however, is limited by the ideological legitimacy accorded to the chief by the populace.

OUTLINING THE THEORETICAL FRAMEWORK,  
PART I: MODELING CHANGE – THE  
ANTHROPOLOGICAL TRADITION

Since the pioneering work of Karl Polanyi (1944), economic anthropologists have recognized the study of institutions as a natural field for exercising their disciplinary comparative advantage.<sup>7</sup> Yet we remain a long way from bridging the gap between economics and anthropology.

Within economic anthropology, from the 1950s onward, there were significant contributions by Firth (especially 1967), who not only emphasized the role of individuals, but also attempted to model processes

6 This definition subsumes both the common usage of Weber (1947), i.e., the ability to coerce others into doing what they would otherwise not perceive to be in their best interest, and the popular contemporary usage of Foucault (1980), i.e., the ability to control the consciousness of others.

7 See Hechter (1983), North (1977), and Rutten (1990) for new institutional critiques of Polanyi.

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of change without neglecting the strong constraints of social institutions. In the 1960s those associated with the formalist school carried on the tradition of centering analysis on rational choice makers, but tended to give less attention to the domain of institutional analysis, much as neo-classical economists used to do.<sup>8</sup> This, of course, was the complaint of the substantivists (notably Dalton 1968; Polanyi 1968; Sahlins 1972), who, in contrast, focused on the socially embedded nature of the economy but lost individuals in the process. In the 1970s some of the formalists and their descendants went on to more focused studies in economic decision making<sup>9</sup> and development anthropology, while others (Cook 1977, 1982), as well as some substantivists (Halperin 1984), turned to neo-Marxist orientations.

Within anthropology, those best known and most obviously compatible with the actor-oriented emphasis on processual change taken here include Bailey (1968, 1969, 1977, 1983, 1988), Barth (1963, 1965, 1966, 1967, 1981), Boissevain (1968), and others associated with the transaction approaches of the 1960s and 1970s (see Heath 1976; Kapferer 1976; for reviews of the literature see Hedicar 1986; Vincent 1978).<sup>10</sup> These approaches provide a good starting point. After examining them, we can see more clearly the benefits of adapting the rational choice perspective to the study of institutional change, thereby adding more formality and precision to the discussion.

Among anthropologists, Fredrik Barth is quite possibly the best known for his processual approach to social change.<sup>11</sup> It is worth citing his

8 For examples of early formalist writings see Belshaw (1965, 1970), Burling (1968), Cancian (1968), Cook (1968), LeCair (1968), Nash (1958, 1968), Salisbury (1962, 1969), and Schneider (1974).

9 Studies of economic decision making in anthropology are far too numerous to list, but some of the best early ones include the following: Barlett (1980, 1982), Cancian (1979), Fjellman (1976), Gladwin (1979), Howard and Ortiz (1971), Ortiz (1967), Plattner (1975), Prattis (1970, 1973, 1976), and Quinn (1975).

10 Several other traditions within anthropology are broadly compatible with the position argued here, among which one might note in particular cultural materialism (Harris 1979) and cultural ecology (Johnson 1972; Netting 1968, 1977; Service 1962; Vayda 1969; Vayda and McCay 1975; White 1959). For a fine recent example of work in these traditions see Johnson and Earle (1987).

11 Barth's perspective is also similar to Nash's (1958: 149) earlier writing on social change:

A theory of social and cultural change capable of dealing with the consequences of social decisions in situations of uncertain outcome is yet to be fashioned. I believe change is best understood as the result of the ways in which individuals choose to combine time, effort, and resources in the face of new opportunity. These factors, in their purposeful combination, underlie the emergence of new social relations and cultural understandings.

As these and similar ideas are elaborated by further research, a theory of change will emerge in which the role of choice will be analytically coordinate with the characteristics



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perspective at length, because it provides a familiar foundation on which to build (Barth 1981: 51–2).

I have envisaged an hypothetical, initial situation of an unordered set of arbitrary, disparate values. . . . The logical effects of processes of social transactions on such a minimally integrated set of values would seem to be clear. Values become progressively systematized as they are used to mediate the comparisons of prestations in transactions: over-arching canons or principles of evaluation are necessary for persons engaged in such transactions. Secondly, values become progressively shared by being made known through transactions: the principles of evaluation, and their uses, become public and serve as guides in the choices of others. The process of transaction thus simultaneously generates trends towards integration and institutionalization. Finally, in an on-going system, where patterns of behavior are generated from a set of shared values, the resolution of individual dilemmas of choice by the construction of over-arching principles of evaluation will have a feedback effect in the direction of greater consistency and integration, and other patterns of choice and behaviour will in turn be generated.

. . . Clearly, every instance of transaction takes place in a matrix of values and statuses, the latter being a basic social arrangement. . . .

. . . there is one further feedback effect which should be emphasized. Through transactions, evaluations are not only “corrected” with reference to consistency and sharing; they will also be modified in the direction of consistency in terms of natural and external criteria, i.e. they become less arbitrary. This will result because through being offered in transactions, prestations are also made subject to the cost–demand–price mechanisms of the market. Regardless of our initial evaluations – if something becomes dirt cheap, we may start treating it as dirt; in other words, we tend to revise our evaluation. I am not suggesting an identity of value and market price, but merely an effect of market price on value.

Barth’s description of the processual relationship between relative prices (market price), ideology (values), institutions, and bargaining power (status) includes many of the elements considered here. Barth’s model has been extensively criticized, most notably for insufficient consideration of power.<sup>12</sup> While he may have given insufficient *emphasis* to the role of power, it does not follow that it is impossible to rectify the existence of differences in power with the presence of choice, as argued by Paine (1974). Following Barth, the position argued here is that choice is fundamental to any model of institutional change; furthermore, giving appropriate attention to power is compatible with Barth’s perspective.

Figure 1.1 presents these relationships graphically. Inside the “black box” are the characteristics that generally receive the most attention from

of the social and cultural systems. In fact, I envision an approach which deals with social systems as conditioning choice in two ways: (1) by generating sets of alternatives, and (2) by defining the means by which alternatives may be implemented.

12 For critiques of Barth’s work see Asad (1972), Evens (1977), Hedican (1986), Kapferer (1976), Paine (1974), and Skvoretz and Conviser (1974). For Barth’s reply see Barth (1981: ch. 5).

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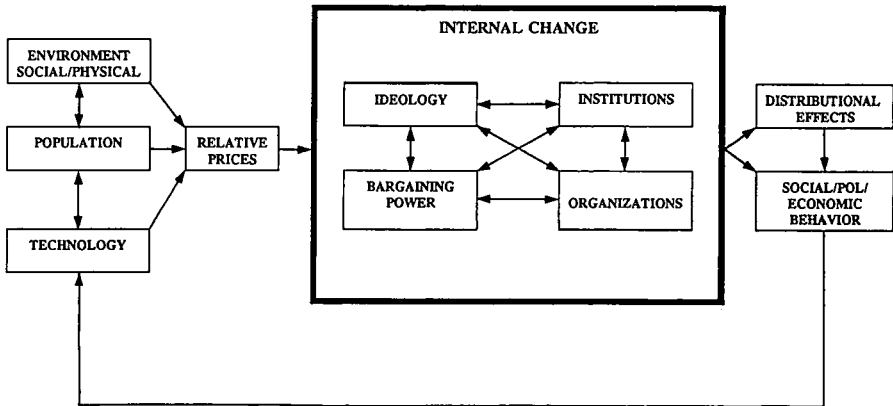
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Figure 1.1. Modeling change.

anthropologists. Outside the black box are those causal elements most often crucial to economists' models, particularly population, technology, and relative prices. While economists have been successful in explaining a great deal of economic behavior in terms of these factors alone under some circumstances, they have not fared as well under other conditions, especially those likely to be of interest to anthropologists and development experts. The reason is that the factors inside the black box are not fixed – they can change. The endogeneity of these factors renders complete prediction, and even understanding, impossible without attention to these components.

Following economists' lead, changes in relative prices exert pressure on the black box, including ideology and institutions. Some anthropologists might have difficulty with this assumption, viewing ideology, for instance, as resistant to such pressures. To a degree, they are correct; ideological beliefs are resistant to change. Nevertheless, ideology does change over time, and so we must try to pinpoint the threshold at which ideology is altered to conform with changes in bargaining power, institutions, and organizations, which in turn may be brought about by changes in relative prices.<sup>13</sup> As Eggertsson (1990: 78) notes, each tem-

13 As I see it, one of the best measures of ideology is the extent to which such commitments withstand change in the face of increasing relative costs. In other words, how else can we be confident with any degree of scientific certainty that an ideological commitment exists except in terms of what people are prepared to forgo in its service? However, the relationship between changing costs and ideological commitment is subject to the same intentionality limitations of the cognitive models noted earlier. In other words, a precise correlation between cause and effect is unlikely to occur even when people intend to so respond.