

REAL MARKETS AS SOCIAL AND POLITICAL INSTITUTIONS AND THEIR IMPLICATIONS FOR HUMAN DEVELOPMENT

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‘There is no science in the study of markets unless their relevant institutions are incorporated’
(Penny, 1985)

Abstract

In this chapter, we seek first to understand the relation between markets, human development and capitalist economic development; second, to compare this with the human development perspective on markets; third to evaluate and compare different approaches to the study of actually existing markets (economic sociology, the politics of markets, and social structures of accumulation) and last, to discuss the implications of each approach to markets for an understanding of human under-development. The case of food and nutrition is taken as a concrete example.

The objectives and expectations for students are that they will understand 1. the relation between markets, human development and capitalist economic development, 2. how the human development perspective of markets deals with actually existing markets, 3. why there is a need for several approaches to the study of real markets and 4. what the implications of them are for human under-development.

1. Introduction: the Materiality of Human Development

Human development aspires to the fulfilment of our potentials. The physiologist Jared Diamond has argued that specifically *human* potentials include the capacity for addiction, the capacity to kill our own kind and the capacity to destroy the material base of civilisation as well as the capacity to make tools, to think abstractly and creatively, to live long beyond our capacities for physical reproduction and to anticipate our own deaths. The human development paradigm is an aspiration to develop selective, beneficent and fulfilling aspects of individual human potential - ‘capabilities’ - in conditions of freedom and access to rights. These conditions must include the discipline of others being able to fulfil their potentials and thus conditions of political protection. The process of human development must move beyond a society where some have developed much of their potential while others ‘lag behind’ or a society where some have developed their potential at the expense of others. The project of human development is essentially mass-based and open ended. It is bounded only by the limits provided by planetary resources on one hand and the disciplining conditions providing for the human development of others alongside the human development of each individual – on the other.

This chapter is about the role of markets in supplying the material preconditions that need to be satisfied for this conception of development to be realised – at the very minimum these are material arrangements to ensure the production and adequacy of food, water, sanitation, health, shelter, clothing, education (including the socially developed knowledge and capacity to produce and to reproduce society). Although the theorists of human development have focussed on individual flourishing, it is easy to see from this list of preconditions that human development is a project in industrialisation. Many material goods need to be produced if human development is put first as the development objective. For development to be inseparable from human development, the production of the preconditions for human development also ought to be a project in developing human fulfilment at work as well as outside work in reproductive space and time. A healthy society also needs to develop energy, communication, its own necessary physical protection against harm and a capacity for movement (attributes we share with a range of non-human species). While some aspects of human development – most notably the ‘production’ of people and certain kinds of knowledge - take place to some degree or entirely outside the market (generally through the state and the family) most other aspects of the beneficent project of human development cannot take place in contemporary societies without markets.

The purpose of this chapter is restricted to examining the relations between ‘markets’ and human development. But the market economy does not exist in the abstract.¹ The mode of organisation, production, distribution and realisation of surplus in India and throughout almost the entire planet is capitalist. Euphemising capitalism as ‘markets’ or ‘the economy’ or ‘growth’ or the ‘private sector’ robs the system of markets that is growing under capitalism of its general logic and its dynamism, its specific institutions and its political and social embeddedness. The euphemism this chapter is asked to address actually deprives us of our capacity to understand how actually existing markets do and do not provide for human development. So the first task of this essay is to explain the key institutions by means of which a system of markets is capitalist - after which we can explore the relationship between capitalist markets and human development.

2. Capitalist Markets

Capitalism is a mode of production in which capital – in the form of money and credit, physical machinery, stocks of goods and labour – is privately owned. Production is for sale, labour is for sale, sale is mediated through money. The owner of the means of production, often operating through specialised managerial labour, controls the hiring and firing and working conditions of labour, the choice of technology, the commodities produced and the exchange of the output. This owner has access to credit from specialised financial institutions, even though he may contest its control. An employer’s control over capital takes place in the binding condition of competition for shares of a market. This competition forces the capitalist to adopt new techniques which cut costs, and to accumulate in order to invest in new techniques. Labour contests the wage-profit relation, seeking higher wages and better working conditions. Meanwhile governments seek to create incentives for capital to invest productively, they also regulate capital (setting limits on the behaviour of capital) and they tax capital in order to be able to regulate it, to confront, buy-off or destroy opposition to this process and to compensate or annihilate victims.²

¹ Maureen Mackintosh ref..

² Khan 2004

Capitalist markets then expand by competition. This takes the form of reducing costs - which in turn means increasing the productivity of labour. This can be done by two means. The first is through technological innovation which also enables economies of scale, concentration - and often centralisation - of capital. Because by this route to increasing labour productivity, fewer workers are needed for the same amount of production, the process of productivity-raising technological change displaces labour. The second means of reducing costs by increasing labour productivity requires lowering the cost of labour by expanding the amount of work labour does for a given wage. This process does not displace labour but it retains a labour force under deteriorating conditions at work.

At the same time, new goods are continually invented to be produced in the form of commodities: that is produced on a mass scale for sale on markets. The process is called commodification. Inventions are one aspect of the process. They mop up some of the displaced labour. The second aspect is that capital also cannot help trying to commodify previously non-commodified things. It turns things previously produced directly for their usefulness into commodities for exchange on markets. In the 20th century agriculture and food production has been commodified. So have many activities inside the household (e.g. the preservation of food – now carried out inside fridges). The commons have been commodified – woods and pastures used for food and fuel, water bodies used for drinking, washing and irrigation have now been privatised. Not only can this land now be bought and sold but also the food, fuel and water that used to be gathered or gleaned can be replaced by commodities that are purchased. The human body itself – its genes - are being subject to patents which can be bought and sold. Even the air is being commodified (carbon dioxide is traded through the Clean Development Mechanism). The state is being commodified, not only formally through the privatisation of public goods and services, such as electricity or airports, not only informally through bribes, but also through the commodification of the core management and policy making functions of the bureaucracy. Policy advice is subcontracted out to management consultancies, policy formulation may go to commercial legal drafting companies, information is stored in think-tanks funded by commercial interests.

The process of capitalist wealth-creation, which has been without precedent in the history of the world - accumulation - is bound in contradictions.³ Contradictions are elements in a system which must exist but which work in opposition to each other. The most politicised is that between capital and labour but there are others: between [capital and labour] and nature; between leisure or free time and [the combined cycle of production and consumption].⁴ Encouraging the dynamism of capitalism and yet protecting against its destructive elements, giving incentives to entrepreneurial behaviour yet ensuring social stability and consensus are a set of institutions and rules of social conduct which are not confined to the marketplace and to its economic transactions. The most prevalent is the family or household or clan and its gender relations by means of which the labour force is produced. Under capitalism, human development has not been generalised.

3. Human Development

³ On these, see James O Connor, 1996; Panayatokis 2007 . I have also examined the processes within capitalism which produce poverty alongside wealth (Harriss-White 2006).

⁴]: see James O Connor, 1996; Panayatokis 2007.

Why not?

Let us now examine the relation between markets and human development more closely.⁵ We see from the discussion above that the specific dynamic of capitalist markets operates according to social goals which privilege the creation and extraction of profit and its productive re-investment. In such a system human development is a means to this end rather than an end in itself.

At any given time, the state of human development reflects the balance of forces between capital and its need for specific qualities in labour on the one hand and the conditions of reproduction of a given society on the other. The conditions of production do not require generalised human development and production is not a dimension of social life in which human development is sought to be realised. The potential of working people for full human development and the integration of mental and manual work is subverted to the potential of working people to produce for profit and to create the need for the consumption of commodities.

In a system of markets under capitalism it is not at all easy for labour to determine how the social surplus - the profit and savings that result from the private ownership of property - is used. The greater the social and political divisions among labour at work, the greater the social barriers between local and migrant labour in the process of production, the more frequent the outsourcing of components of supply chains to sites where labour cannot organise, then the greater the capacity of employers to drive down wages, the longer labour has to toil for necessities, the less the social time available for men and women to figure out and demand that social surpluses be invested in generalised mass human development. For sure capitalist markets allow certain members of society to develop their potential but capitalism requires uneven human development globally.

It also reflects a very specific concept of human needs. It naturalises and develops the human need and capacity to consume commodities. Capitalism cannot bring about generalised human development.

4. State, Market, Politics and Human Development

In an unequal society - and few societies are growing less unequally - unless needs are met by non-market mechanisms, human development will be mediated by peoples' capacities to purchase the commodities needed to realise their potentials. Various kinds of collective action or civil society organisations may develop to help provide the commodity base for human development but the state is the only institution which can give itself the remit to cover the entirety of a society. Human development then needs the state.

If a state then decides to allocate the provision of the basic needs for human development to the capitalist 'market', that it is then bound to regulate in the 'public interest', the following process is set in motion.

For education, health, food etc, to be available in the form of commodities in a generalised and adequate way a socially defined need has to be converted to - and expressed in the form of - market demand. For equitable and adequate outcomes, either the consumer has to pay - and in an

⁵ Lebovitz 2008 Capitalism and Human Development - Monthly Review

unequal society consumers with inadequate incomes would have to be given the means to pay, and/or the state has to pay the private provider to maintain the service free to the consumer at the point of access. Or commonly a mixture of both.

An array of extra costs to society are necessarily introduced that would not exist if the state were to assume direct ownership and responsibility for provision. First a stream of profit is inserted into the cost structure. This profit must equal or exceed the average rate of profit made elsewhere in the economy or else the provider's share-holders (or the provider) would reallocate their investments. Then another new element of costs is required to cover the state's negotiation of contracts, their supervision and monitoring, evaluation, enforcement and renegotiation with private providers. A third element of costs not required if the state provides a service directly consists of the costs of co-ordination with - and between - the multiplicity of private sector providers. These private providers are all subject to the laws of capitalist accumulation described earlier and will compete to contain costs, to dynamically adapt and create new technology, to displace their labour force and /or reduce labour costs and/or reduce the security 'rights' of labour because these add to costs.

In awarding provisioning responsibilities to the market, the state cannot avoid creating a structure of private economic interests. Once established, the private providers of commodities and services needed for human development know they are too important to fail. Private providers then commonly start to supply the state with skills and policy advice which the state, now confined to a regulatory role, no longer independently possesses. A community of expertise - an epistemic *political* community- bridging the state and the market but dominated by the market - emerges, a community which, if it has to choose, must put profit above the public interest because if it did not it would go out of business. Conflicts of interest are deeply embedded: for the services to persist the 'problem' the providers are to solve must persist. Other contradictions pose problems. Values other than commercial, such as those embodied in the Hippocratic medical oath ('Do no harm'), must be embedded and practised in commercial services - especially in the behaviour of the labour force. But among management, values incompatible with profit have systematically to be marginalised and are publically expressed in specific and limited ways (as for instance the field of corporate social responsibility).

Worldwide, the process of privatisation of the commodities providing for basic human needs is not a once and for all act but an ongoing process of commodification in which social need is replaced by demand, public servants or non-market providers are replaced by people working for wages in private firms, production must be primarily for profit rather than for need (or for any other value such as love, honour, professional pride or fulfilment, social urgency) and low-profit activity (labour costs) and risks must systematically be shed - either to the consumer⁶ or to the state.⁷ Wherever possible, sometimes even with subsidies,⁸ capital substitutes for labour. In education: interactive learning using long-distance high-tech means (TV or DVDs) substitutes for face to face contact with teachers. In health: diagnostic self-testing replaces discussion with clinicians; foetal heart monitors are applied to pregnant women rather than clinically trained nursing skills. In the case of 'human development commodities', the state has to underwrite the

⁶ Huws

⁷ Leys

⁸ Harriss in Farmer

most egregious risks to capital because these sectors grow to be among those that are too important to political legitimacy to fail. At the same time, waves of commodification of ancillary services multiply in the wake of private provision (advertising, insurance, audit and finance, maintenance and repair, human resources, personnel management and training for instance) and these in turn reinforce the ‘naturalisation’ of private provision: the idea that there is no alternative.

In the markets catering for the human functioning of healthiness and the prevention of sickness, where India has one of the most privatised systems in the world, health care takes the place of health, health care becomes a set of commodified services, and pharmaceuticals take pride of place among the commodities replacing labour intensive services.⁹

In education, apprenticeship and guru-disciple relations are replaced by state provision: the development of education becomes a private investment; knowledge is commodified as set curricula; teachers will be progressively replaced by sub-contracted tutors and/ or by technology (videos etc). The labour force loses its craft vocation and is hired to produce surplus value under set terms for consumers who pay. The pressure to produce ‘value for money’ may debase recruitment, corrupt assessment and devalue education as a vocation /way of life.

This is far from being what the paradigm of human development envisages but the human development paradigm does not engage with markets as institutions of capitalism.

5. The distinctiveness of the human development conception of markets

In fact, the paradigm of human development argues exactly the opposite. In endowing markets with the capacity for the expression of choice¹⁰ and for delivering human development through reasoned and valued functionings such as being clothed, educated, healthy, housed and nourished, markets are theorised as having the capacity to spring poor people from the traps of relations of un-freedom. Free markets are the vehicles of substantive freedoms. To participate in the market is itself a fundamental human freedom.¹¹ Given what we have already learned about markets, how is this possible?

It is possible through a set of arguments that are inherently comparative. They are finely exemplified in Amartya Sen’s book ‘*Development as Freedom*’.¹² First, the state - while in theory is able to ensure ‘negative’ freedom from coercion and therefore to protect citizens¹³ - may nonetheless in practice be *unable* to enable the exercise of peoples’ agency or their choices - known as ‘positive freedom. Then the market is argued to be a superior arena of ‘positive’ freedom. Second, the market can offer comparatively more freedom than under anti-competitive

⁹ Roemer Mahler

¹⁰ Sen 1999 p112

¹¹ Adam Smith (1995) was one of the first to argue for the foundational human instinct or propensity to truck, barter and trade.

¹² Sen, 1999, p112,123, 194, 296.

¹³ It can be counterargued i) that states must regulate markets: markets cannot exist completely without states; ii) that the state can also be arenas of freedom – look at the intellectual freedoms of public universities and iii) that states have to interact with markets to create the means to surmount restrictions on the realisation of capabilities.

monopolies (pathological for equity) at one extreme, or under anti-market pre-capitalist bondage (an oppressive form of exchange) at the other extreme. It is a relatively more effective middle way. Third, the market itself increases capabilities. Being free to work and using that freedom to engage in work increases the capability of self esteem.¹⁴

Here, markets are being theorised as *essentially* liberating. ‘The market’ is understood as being a competitive and efficient means of allocating social resources to individuals who are free. But Sen has long recognised this capacity as being consistent with any kind of income distribution including ones where some have no income or demand at all.¹⁵ But since even competitive markets cannot guarantee equal distributions, the market is an inappropriate instrument for the equitable mass distribution of goods. A non-market institution of collective action (such as the state, or, is sometimes argued, an authoritative, market-wide business association) is needed to regulate the provisioning that is intended - by social consensus or fiat - to be equitable. We can paraphrase: although markets are argued as vehicles of human development, insofar as generalised human development requires equitable distributions, markets must be supplemented / supplanted by states.

Yet it may be realised that even these collective institutions, while necessary, are not *sufficient* to bring order to the freedoms expressed through markets. Everywhere markets are structured ‘customarily’ through non-market forms of power and authority (expressed through gender relations, religion, ethnicity, caste, locality, the clan and the family) and their forms of political authority. These operate outside the market but are also constitutive features of markets, affecting endowments, assets and capacities to bargain and trade. But even though Sen has used the existence of capability deprivations inside the family to argue for individual freedoms and even though he has elsewhere stressed the complexity of identities, he avoids mentioning the play of many forms of non-market power in his paradigm-creating treatment of markets.¹⁶ Sen’s treatment of the labour market also falls short of explaining how the wage contract involves the wage worker’s withdrawing his labour from the market and placing it at the disposal of his boss, whereupon the relationship becomes one of command and obedience. If this is a relationship of freedom at all, it is simultaneously one which is binding on the worker.¹⁷ So markets embody contradictory roles. For another example of the contradictions of markets, they are forms of exchange according to which resources are allocated more or less efficiently and equitably at the same time as being exchange systems through which resources are extracted, also arenas of exploitation as well as metaphorical and physical sites where individuals exercising their freedom come into conflict. So insofar as they release choice and agency and are allocatively efficient, markets may be vehicles of selective freedoms and human development. But they do not always or necessarily act in this way and it would not be correct to assume they do.

To conclude, it is possible to argue a convincing liberal case for markets as agents of human development because of the conceptual frame, the simplifying assumptions being made about

¹⁴ This is not to presume that work on markets is the only source of self esteem. Indeed, considering women’s care work which reproduces society as embodying values and reasoning which expand the capabilities of others at the expense of not expanding those of the worker, Sen acknowledges that what he calls ‘commitment’ may increase wellbeing more directly than does market-based freedom (1999, chapter 12)..

¹⁵ Sen, 1981

¹⁶ The ‘detestable mafia’ in primitive market economies is a notable exception.

¹⁷ Banaji (HISTL MATERIALISM TBC)

markets and the high level of abstraction deployed in the argument. But markets are not abstract phenomena and when they are analysed as the concrete expression of capitalist production then they are revealed as agents of a selective *conception* of human development and of a selective *extent* of human development. Yet since capitalist markets are not only manifesting the logic of accumulation, since they are not only converging on a logic of accumulation because they are also regulated in a great range of ways, the process of accumulation is uneven, that of institutional convergence is slow and the extent of selectivity is great. There may be classes of society and regions of a country where the population has considerable freedom and measured standards of human development that are high. But under capitalist relations, they are *never generalised*.

6. Actually existing markets

It is a demanding task to address 'real' or 'actually existing' markets and to consider their implications for human development. The first problem we encounter is that at the micro-level, there is no consensus about what the key institutions of actually existing markets are. If we ask how supply is supplied and demand is demanded we ask a question to which the answer certainly cannot be found within the discipline of economics - and a fully satisfactory answer may not be found at all. So we have to consider the implications of several approaches to answering that question. Since there is no theory of everything, we will consider three here: the approaches of economic sociology, of the political analysis of markets and of social structures of accumulation.

The second problem is that these approaches have never been used to address the implications of their conceptions of markets for human development. We will use the capability of being nourished, the functioning of food related health, the basic need for nutritive food to illustrate. India has a market- and state-mediated food system and yet, despite being a signatory to the 1978 Alma Ata declaration of 'health for all by the year 2000', nearly a half of India's children throughout the income distribution remain undernourished. Per capita food availability is declining.¹⁸ In food and nutrition terms, India is being progressively underdeveloped. With respect to being fed, processes are set in motion in India that result in the reverse of human development.

To what extent and how do these three approaches to the study of actually existing markets help us understand the processes that the evidence on nutritional outcomes clearly shows are set in motion?

6.1. Economic Sociology

Karl Polanyi, one of the most influential exponents of economic sociology¹⁴, argued that there were three principles at work in the economy of which markets were only one. These principles are reciprocity (where price is the product of custom, as when food was redistributed under jajmani relations between the castes of a village), redistribution (where price is the product of command, as in India's public distribution system) and market exchange (where price is stylised as formed through the interaction of supply and demand)¹⁵. Economies are regulated in various

¹⁸ Utsa Patnaik: Republic of Hunger

¹⁴ The great founding father of which is Max Weber, 1922/1978

¹⁵ Polanyi, 1957

combinations by these three principles, in such a way that economic transactions cannot be understood outside their social relations. For instance, it is through redistributive relations of kinship or religion that occupation may be regulated and that food is allocated to individuals with different statuses within a household¹⁶; it is through customary gender relations, that the terms of participation - firm size, activity, credit, the divisions of task and labour relations - are negotiated or thrashed out.¹⁷

Polanyi also recognised that in many societies, and until relatively recently, market exchange has been literally marginal. Its sites - marketplaces - may have evolved from a healthy (but economically irrational) distance from the edge of a town (as in India's system of periodic marketplaces); its practitioners may have been migrant, and/or stigmatised and/or have kept themselves socially separate in order to reduce the heavy social obligations that generally come with wealth.²⁰ As economies develop, not only do social forms of regulation yield to political, legal procedure (custom gives way to contract, mandis give way to regulated markets) but market exchange also comes to dominate other principles of economic regulation. Polanyi argued that society is thereby transformed to suit the interests of the self regulating market. The direction of causality reverses - from the economy being embedded in social arrangements to society being embedded in market-serving arrangements. Polanyi realised that, at its extreme, his argument gave rise to a contradiction. Markets are not only principles of allocation driven by supply and demand, they have destructive properties. Not only do they destroy other principles of economic allocation, but also by themselves they destroy human life because they cannot protect it. As Sen put it more recently, markets are consistent with any income distribution, including one where some have no income at all.²¹ Markets are so inherently destructive that a pure market society (aka pure capitalism) cannot exist. Society and states intervene to protect markets from destroying society (rural food loans are given by neighbours at zero interest; the PDS and BPL social security systems are achievements of the state; NREGA and food rights are achievements of both state and civil society). In all markets, there are thus continual political tensions between more and less regulation, between social and state regulation and between market regulation and politically necessary, socially protective redistribution.

The implications of a Polanyian concept of markets for human development is that it is through market exchange that most Indians now obtain most of their food and, with rising urbanisation, this trend will only intensify. The key markets for nutritional wellbeing are not only those for food they are also those for labour and money, without which people who do not produce food cannot purchase it. On none of these markets is exchange purely a matter of supply and demand, and where the state does not enforce its own regulative laws it is through markets' being embedded in – and regulated by – institutions reflecting social power that markets are able

¹⁶ See Harriss, 1991 on the biases in intra-household allocation of calories. See van Ufford, 1999, on Benin's cattle trade

¹⁷ See Pujo, 1997, for its role in Guinea's rice economy

²⁰ Evers and Schrader, 1994; See Clough, 1995, for Hausa Nigeria.

²¹ Sen, 1981, quoted in Mackintosh, 1990

to work. In India, even in the 21st century it is still possible for local groups and cartels of food merchants to hoard and create scarcities and price spikes, e.g. for onions and edible oil. Two thirds of the 69% price rise of rice in S Indian food zone between 2008-10 was taken by those controlling the marketing margin.¹⁹ Women and dalits systematically face adverse terms on labour and money markets which negatively affect how much food they can buy from a given amount of work. There is convincing evidence for India that households dependent on both casual wage labour and food markets are most vulnerable to food shortages.²⁰

6.2 The Political Analysis of Markets

Following Max Weber, markets are not just socially embedded phenomena, they are sites of the exercise of power, 'always the resolution of conflicts of interest'.²⁷ This is what 'politics' means here, rather than the narrow conception of electoral tugs-of-war. Food markets in developing countries have been found not to function well (either long term and short term efficiently) and also to change the way they behave according to the seasons, as well as in extreme circumstances.²⁸ Attempts to regulate them - through democratic governance (as in the Regulated Markets Act) or through the narrow legal prescription of proper contract (open auction, closed tender, prompt 24 hour repayment) - have often foundered because the interests at play in markets are highly unequal.²⁹ Market power: the capacity of one agent to direct the action of another - a capacity which is intrinsic to transactions - has to be understood as situated in a larger structure of power which determines the choices available to participants - the freedoms to choose between tactics and between objectives.

What are these structures of power? There appear to be four. But they will also interact. They generate great complexity and it is this unavoidable complexity which gives markets their distinctive 'character'.³⁰

First, there is *state power*. State and market are not separate but in practice densely intertwined. In turn, the state's involvement in markets takes two forms. One is direct ownership, control or 'participation'. The state must be an active player in any market which needs creating and protecting under conditions which deter private capital (e.g. in remote regions, or where the marketed surplus of food is too small and sporadic to attract private traders; or when social roles are required which the private sector cannot play - as when society ensures short term profit maximising trade together with long term food security which requires the state to manage national reserves. The second form of state power is regulative. It takes many forms - parametric

¹⁹ Ghosh (Jayati - Frontline XXXX 2010

²⁰ See the literature reviewed in Olsen et al, 2010

²⁷ Weber, 1922/1978

²⁸ See Crow, 2001, for seasonal changes in Bangladesh; see Cutler, 1988, Keen, 1994, and Ravallion, 1987 for market behaviour in famine conditions in Ethiopia, Sudan and Bangladesh respectively; see Palaskas and Harriss-White 1993 and 1996 for analysis of price behaviour over the medium term in North East and South East India.

²⁹ Harriss-White 1995 b

³⁰ This discussion owes much to White, 1993

regulation corrects distortions or achieves developmental goals. (for instance the deliberate social targeting of certain products (in our case especially grain); pervasive regulation to define how markets function (the legal definition of property, sites of food trade, licensing laws, the calibration of weights and measures, the regulation of loans, the definition of legal contracts, the existence of institutions of adjudication for disputes and for the enforcement of these pervasive laws); and saturating regulation specifying in great detail the circumstances of sale – as in the schedules displayed in any Fair Price Shop or mandi.. The labelling on a mineral water or pepsi bottle in India makes the point, but the bureaucratic politics of state saturation behind this labelling at the point of production is far less socially visible.

The second dimension of the politics of markets is driven by *association*, by means of which (some) participants act collectively in their own interests, in ways which may be antagonistic to others. Competition cannot happen without collective preconditions being satisfied: the social consensus about proper contracts and the resolution of conflicts of collective interests are cases in point. The third dimension of markets as political institutions concerns the politics of *economic structure*. Here, the distribution of endowments shapes the exchange between individual elements and affects the relative returns to market engagement. In the fourth dimension of the politics of markets, markets are arenas for the expression of forms of social authority and status derived outside the economy. The distinction between this dimension as conceived of here and as seen in economic sociology turns around the ‘politics of markets’ approach’s insistence on analysis not merely of *social embeddedness* but also of the exercise of social power.

The implications for human development of the insights of a Weberian power perspective on markets are far-reaching. First the state is essential to nutritional wellbeing in a great range of ways - whether expressed in direct participation in the PDS, Noon Meals schemes and Kind Payment schemes (Food for Work) or parametrically through the Regulated Markets Act governing the first transaction between farmer and trader or the Co-operatives. Spread-eagled through most of the central government ministries and state departments are activities by means of which the state directly controls the food economy and directs food to politically defined populations. However, the state’s solutions to malnutrition may exacerbate malnutrition as when targeted food is regulated in size consignments that poor people are unable to buy e.g. 35 kgs of PDS rice. All food laws in India are also vulnerable to capture as resources in their own right. This undermines human development when rice millers renegotiate the Essential Commodities Act’s provisions for state procurement to alter the timing and reduce the quality of supplies so as to maximise their private profits. The state is left with the coarsest grain, possibly adulterated and too moist to store for long without deterioration to supply the nutritional needs of its PDS.

The second set of implications is derived from associational power. Where the state lacks the capacity or intent to regulate food markets in the way stipulated in law, local business associations fill the vacuum.²¹ These regulate capitalist accumulation; they may admit small producers and even representatives of wage workers but their political agendas put subaltern interests at the foot and their corporatist ideologies guarantee local hegemony.²² Their collective power is sufficient to prevent or crush the political organisation of wage-labour – with adverse

²¹ See Harriss-White 2008, chapters 5 and 6 for examples in West Bengal.

²² Basile and Harriss-White, 2004

consequences for the latter's purchasing power. In one instance of rice mills watched over four decades the distributive share has reversed from 72:25 in the 1970s to approximately 15:85 now.²³

Third, the politics of market structure may contribute to human under-development. Food markets in India are commonly structured through a mix of an oligopoly (a handful of traders able to store the lion's share of local supplies) and a mass of small firms which look competitive at first glance but which are actually dependent on the oligopoly for information, stores, transport, contacts, loans etc. Where big retail has entered the supply chain, this already polarised structure is greatly accentuated. Different classes of rural producers then face different terms on the market. Large surplus producers sell when they reap highest prices; they keep their food and are the true subsistence farmers. By contrast small producers have no 'freedom' but to sell post harvest and then to buy pre harvest – producers may be net consumers, compulsively involved in markets at the cost of food security to their own households.

In the fourth dimension, markets are arenas for the expression of capillary forms of social authority. In India nutritional outcomes are deeply socially embedded in the power relations and micro-politics of caste – determining the detail of diets – in gender – determining allocations within the household, and religion – determining relations of lifetime piety expressed in food observances and practices that may be self-denying. Yet formal organisations of civil society, and also the media and the education sector can also play active promotional roles in food-based human development by monitoring food interventions by the state, by facilitating claims for redress of wrongful exclusion and by ensuring that redress is enforced.

6.3 Social Structures of Accumulation (SSA)

The third way of looking at actually existing markets is a neo-Marxist approach which has emerged from a series of insights from economic history. The SSA school sees capitalist accumulation (or the creation of productive wealth) as impossible without a cradle of institutions which make a 'social structure of accumulation'. It draws attention to structural elements which are social, political and even ideological – all essential for investment. The SSA does not only help to minimise investment risks, it also regulates contradictions and conflicts and reduces insecurity over the long term so that profit levels can be maintained and sustained in a stable manner.

What are the key social structures? According to Kotz, they are those governing the control of raw materials, the labour process, consumption and demand, money and credit. They draw our attention away from the politics of markets towards certain formal institutions hitherto not much discussed in this exploration of markets and human development: the legal constitution of firms, labour laws, the banking system, ideas (especially those ideas which weaken conflict and control the 'unruly tendencies' of labour).⁵³

Capitalist development takes place in conditions of conflict: conflict between financial, industrial and mercantile capital; and conflict between firms in specific markets, both of which are

²³ Harriss-White, 2011 a

⁵³ Kotz, 1994

conflicts over the distribution of value. Conflict also erupts between capital as a whole and labour and between capital and peasants.⁵⁴ These conflicts belong to the category of contradiction: the dynamics of institutions with opposing interests which nonetheless cannot function without one another. Social structures of accumulation are all those institutions which enable the regulation of such conflict and contradiction.⁵⁵

The implications for human development of the insights of the SSA approach to food markets are that the matrix of institutions that stabilises accumulation and minimises the risks to it do not necessarily work to enhance human wellbeing and capabilities.

The interconnectivity of the institutions is unavoidable in SSA. For example, banking, money-lending and now usurious microfinance affects the terms and conditions on which the marketed surplus of food is supplied as well as every link in the supply chain to the consumer. This is because of the intimate interlocking of money and food contracts and transactions. High interest and delayed reimbursement contrive to reduce returns as effectively as do lower prices for products. The terms and conditions of production finance may turn rural producers into net consumers. Debt (often caused by the costs of private health care) may still turn landed producers into landless wage workers. The type of organisation of labour affects not only the level and degree of erraticism of pay but also the distributive share - the relation of the total wage bill to gross profits – increasingly adverse to workers.

7. In sum

In this chapter we have seen that the way markets are conceived and described theoretically affects how the relation between markets and human development is understood. While it should now be evident that the economic markets of capitalism are structured through institutions whose politics can be extremely complicated and multilayered, the approaches outlined here are frameworks rather than theories. Actually existing markets will not disappear if they are not studied. The ‘rich description’ gained from the use of such a framework will be specific to place and time. More general statements must be *expected* to be falsified.

All three approaches developed to understand actually existing markets stress the centrality of the state. There are no ‘free markets’. Even in the informal unregistered food economy firms frequently act ‘as if’ the state enforced its laws even when it does nothing of the sort. Private property is vigorously defended; money and infrastructure are used; but electricity is stolen and

⁵⁴ Despite the discussion of market-driven politics in the section on the politics of markets, it must not be assumed that there cannot be conflict between capital and parts of the state.

⁵⁵ Other aspects of SSA theory are disputed. The rules governing the start, the breakdown or the succession of SSAs have not been established; the debate over the cause of crises of capitalism (whether due to the dynamic of capital itself, or due to the dynamic of SSAs or due to the relationships between capital and its SSAs) is unresolved. The timing of the development of key SSAs have not been shown to accord with the long swings of the macro-economy. Some components, particularly markets for finance, are inherently unstable. Fitzgerald, 2002

labour laws flouted with impunity. All three approaches identify social power operating in markets through a great variety of institutions.

However each of the approaches privileges certain institutions at the expense of others. Economic sociology, inspired by Polanyi, focusses upon social networks, firms or corporations and the state. The politics of markets, developed from Weber, recognises the state as participant and regulator, of collective institutions such as lobbies or trade unions, of firms' economic assets and their relation to tactics of competition or collusion, of the social power in which markets are embedded - and of each dimension to the others. The Marxian social structure of accumulation school has revealed the importance of the structure of legal regulation and enforcement of each stage of transfer of property rights, of finance and money and of the systematic disempowering of labour in the process of stabilising capitalist production and distribution - even at the cost of consumption and human development.

Each approach privileges certain modes of explanation at the expense of others - social norms, types of exchange and network in economic sociology; market-driven politics in the approaches considering markets as political phenomena and examining the structural interconnection of state (and non-state) regulative institutions in the SSA. In all of them, the insights into the local specificities of history and geography are crucial to any attempt at explanation. Universal processes such as 'market exchange' or 'accumulation' are shot-through with local idiosyncrasies. It is hard for the economist or for the student of human development to avoid accepting that markets are social and political constructs whose performance is affected and continually changed by relations of authority that are established outside the economy and act both inside and outside it. These arenas of power are not to be presumed to be developmentally beneficial. They can be the basis of market exclusion.²⁴

Now how markets are conceived evidently affects how they are understood to cause human under-development. We have used under-nutrition as our concrete example here. Economic sociology draws attention to a range of modes of exchange only one of which is market mediated. In the food economy, relations of redistribution are particularly important in causing under-nutrition, not simply through state fiat but also through authority relations playing out elsewhere in society such as inside the household. Disenfranchisement – unfreedom - works through identity. In this case, son preference derived from patriarchy is an egregious cause of female child under-nutrition (as well as of the male-biased and deteriorating child sex ratio). Fairly extensively throughout the income distribution – i.e. not only among those in income poverty - it is women and children who disproportionately bear the burden of under-nutrition. Here, the very institutions which protect society against the destructive aspects of markets (in this case the household and patriarchy) may themselves work to cause human under-development.

In the political analysis of markets it is through the politics of state control and participation that households eligible for subsidised food are defined and targeted. Poor and deficit regions are ignored, eligible households missed, ration consignments are defined in quantities unaffordable in such bulk by eligible households. These are errors of the exclusion of the eligible. It is through low levels of enforcement that food 'leaks' from mills, stores and lorries. These are errors of the

²⁴ Harriss-White et al Three Essays on Dalits

inclusion of the ineligible or of informal redefinition and ordering of the eligible. State regulation aimed to make competitive the first transaction between producer and trader has failed to address the trader-moneylender nexus which leads to lower returns than would be got from open auction and has ignored the exchange relations structured through class differences. Food markets dominated by oligopolies bind the vast armies of petty producers and traders into tied relations of clientelism which prevent them from saving and investing and perpetuate logics of self-exploitation.²⁵ Associations, networks and hierarchies in being selectively inclusive are devices to exclude. We learn that all aspects of the politics of markets may work to reduce entitlements to food.

We also learn how the social structure of accumulation in India's food economy has developed an interacting set of institutions which reinforces the subjugation of wage labour and which prevents petty production/self-employed people from accumulating in order to protect and stabilise the rate of return to capitalist firms in the food system. Human development here means *selectively* developing a *general capacity to consume*. Labour markets in India's informal economy are markets which do not guarantee freedom from hunger. Self employed producers and traders even have no rights under the labour laws because they can only be treated as 'disguised wage labour' in courts where their grievances might be heard if individual employers can be identified. Money markets which provide the hungry-season loans that keep poor producers and labourers alive work at the same time in such a way that the direct producers of food lose control of the fruits of their labour and become net consumers. Even the Reserve Bank has been found to privilege the funding of state activity other than in food over public grain procurement.²⁶ Food markets deal in commodities that are now not proof against speculation - whether it be due to local physical hoarding or due to the operation of global futures markets.²⁷

Our case material is the food economy but it could as well have been any one of the commodity base for human development: shelter, health, education, or the development of freedom from toxic waste.

By contrast in the human development approach the market is seen as an arena of 'positive' freedom -and indeed a mass of Indian citizens (evidence ranges from a quarter to over a half²⁸) are well-nourished by means of market exchange. The market based freedom to provide, however, is always subject to the discipline of competition, subject to state regulation – and, as we have seen, regulated through a mass of relations of social power. By these means, the market-based freedom to supply is unmatched by the freedom to demand food.

For sure custom and social norms are being dissolved in favour of contractual arrangements based upon skill, reliability and competence but social theory has not come to terms with the fact that at the same time and sometimes in the same place these relations are not being dissolved but instead being intensified to protect livelihoods. There has not been space to develop the role of civil society in human development but it is clear that actually existing markets / Indian

²⁵ Harriss-White in (ed) Guerin et Al forthcoming

²⁶ Harriss 1984 State and Market

²⁷ Ghosh 2010; [Harriss-White, 2008]

²⁸ See the readable discussion of poverty lines by Dipankar Gupta
<http://thesouthasianidea.wordpress.com/2011/03/01/forget-the-poor/>

capitalism require as much critical vigilance from civil society as has hitherto been directed at the state and must work with the very same state that their proponents criticise if human development is not to be constrained - even betrayed- by markets.

7.3 kwords

Further Suggested Readings

A.K. Bagchi 2000/1999 on Sen EPW

T McDonough 2007 Social Structures of Accumulation

Patnaik U *Republic of Hunger*

Polanyi K 19Trade and Markets in the Early Empires

Sen A K 1999 Development as Freedom

White G 1993 The Political Analysis of Markets Bulletin IDS

Model questions

Why does capitalism not need generalised human development and how might efforts be sequenced to regulate it so that it does?

or

Can generalised human development be achieved under capitalist production relations? If not why not?

Why do we need to have not one but several theories of actually existing markets?

What are the key markets, over and above the markets for food, that ensure nutritional wellbeing?

How do we know what we know about the working of India's food system?

Why does India's food system result in half its children being measured as undernourished?

Design your own question along the lines of the previous three with reference to another dimension of human under-development.

Note

This is a heavily reworked and abbreviated version of a chapter entitled 'On Understanding Markets as social and political institutions in developing economies' published in (ed) Ha-Joon Chang (2003) *Rethinking Development Economics*, London, Anthem pp 481-97 and a paper: 'Commercialisation, Commodification and Gender Relations in Post Harvest Systems for Rice in South Asia' published in 2005 in *Economic and Political Weekly* June 18-24, Vol XL No 25 pp 2530 -42