Gifts and Markets: A Pluralist Perspective

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Abstract

The aim of this paper is to relocate the debate regarding pluralism in the context of discussing the apparent incompatibility of gifts and markets. We commence with a focus upon the development of markets through a consideration of the linear market development model advanced by the likes of Hicks and Polanyi. This accepted position within economic analysis argues that markets are the natural evolutionary successor of gift-based economies. By looking at markets as institutions, it is possible to connect our thinking about them with other institutions which are observed in contemporary economies, such as gift. We argue that the presence of certain modern market characteristics within ancient societies, and the survival of gifts within transitional economies, challenges the accepted wisdom in relation to both the development of markets and the non-possibility of the dual presence of market and gift like institutions within the same economic system. A linear model of development which emphasises an organic process of replacement of a gift economy with a market system has to be challenged. Thus, we argue in this paper against the conventional position within economics that markets and gifts are incompatible, and that gift and gift-giving can only exist outside the market system. Although the nature of gift has changed over time, the presence of altruism and other residues of gift giving within transition economies are advanced as evidence of the possible coexistence of markets and gift within the same economic system.

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1.1 Introduction

Following the work of Polanyi (1957[1944]) and Hicks (1969), a conventional view within economic analysis is that the development of economic systems is shaped by the linear replacement of one economic system over another. In a fashion akin to the Kuhnian perspective on the evolution of paradigms within the natural sciences, there is an assumption that the underlying incompatibility of the norms and values of the institutions that underpin the respective economic systems cannot co-exist. This paper seeks to use the examples of gift and markets as incompatible institutions to question this assumption on two accounts. Firstly, the paper explores both the historical and contemporary evidence on the development of economic systems to illustrate the co-existence of gift and markets. Secondly, the paper argues that the conventional understanding of gift within mainstream economics arises out of (a) an acceptance of the historical evolution from gift to market based forms of economic system (à la Hicks and Polanyi); and (b) a misreading of the economic anthropology literature from which the limited conception of gift-giving as existing only in reciprocal forms arises. The consequence of these two perspectives has been a failure to sufficiently address the concept of gift and its motivational characteristics within economic analysis.

The paper commences with an outline of the historical developmental model advanced by Polanyi and Hicks, and draws out the specific assumptions which have been derived by other mainstream economists from their work. The paper then examines the concept of market, and argues that economic analysis has lost sight of the non-exchange components of markets and gift which have historically existed, and which continue to occur within some contemporary economic systems. The paper concludes with an examination of the issues and implications that arise for the analysis of contemporary economic systems resulting from the discussion presented within the narrative.

1.2 The Hicks and Polanyi Model of Economic Transformation

The historical and anthropological literature has accustomed us to a view that economic development represents a departure from community norms and values. Such norms and customs are in opposition to markets that developed once the impersonal relations of exchange, production and distribution replaced the personal relations or networks amongst identifiable agents. From a different standpoint, Aoki and Hayami (2001) advocate an alternative understanding of the role of *communities* in complementing markets and economic development. Communities, along with the state, were compliant in the enforcement of contracts and property rights. Thus they recognise the potential of other entities such as communities to provide support for the coordination of individual agents within the sphere of markets: "We depart from the conventional view that markets and community norms are to be treated as two alternative ways of organising economic activity, and that economic development is to be viewed as movement away from community norms to markets and contracts" (2001, xv).

Two major works investigating the emergence of markets – Polanyi (1957) and Hicks (1969) – have considered whether norms and markets are two rival institutions that have operated as substitutes for each other within the economic development process. We will argue here that their ideas have contributed to the dichotomisation of markets and norms into the two spheres of personal and impersonal human interactions. Historical evidence is clear in suggesting that markets existed prior to capitalism and to a self-regulating system. Societies were organised around markets and trade, and there are indications that certain forms of property rights, contract and economic laws were in place to support the development of economic processes. Nevertheless, those analysing the expansion of markets point to the importance of special institutions and social arrangements (such as property rights) in supporting these development processes. However, North's (1981) view emphasises that the existence of property rights *per se* is not always conducive of economic performance. Polanyi's theory (1957) is based on the opposition between pre-modern societies based on exchanges governed by norms, customs and gifts[1], and modern market-based societies governed by the laws of demand and supply. Polanyi's interests are manifest in the analysis of the principles that underlie the market-economy (as a self-regulating system of markets):

> Market economy implies a self-regulating system of markets; in slightly more technical terms, it is an economy directed by market prices and nothing but market prices. Such a system is capable of organising the whole of economic life without outside help or interference would certainly deserve to be called self-regulating (1957: 43).

By discussing the existence of the laws of demand and supply, Polanyi is explicit in considering the institutional framework necessary for the rise of markets: "…in no case can we assume the functioning of market laws unless a self-regulating market is shown to exist. Only in the institutional setting of market economy are market laws relevant" (1957: 38). Despite Polanyi's unreasonable rejection of the importance and sophistication of markets predating the nineteenth century, it is true

[1] We define gift as a transfer motivated by altruism. The 'magic' of gift is altered once there is an expectation of returning the gift. Thus, this paper makes a distinction between gift, i.e. an act motivated by pure altruism and reciprocity, i.e. a form of exchange muddled in terms of its motivation.

to say that the institutions of (and related to) the market became more explicit around this time.

Hick's historical account is similar to the Polanyian perspective in so far as he is concerned with the rise of markets as a system of interdependent entities. Equally, he commences by opposing the exchange-based economy with a primitive non-market society, and his approach consists of looking at the principles upon which primitive societies are organised in order to identify their transformation. Hicks proceeds by posing an essential question: "How should we conceive of the *primitive* non-market organisation, from which the transformation, which I call the Rise of the Market, was to set out?" (1969: 12). The emphasis on *primitive* indicates Hick's belief in the superiority of a market system and its benefits in comparison with a system organised on non-market principles, very likely to be reciprocity and redistribution.

Different economic, social and political systems can be interpreted as vast organisations in which decision processes take place. Rules come "in part from 'above' and in part from 'below'" (1969: 12), and one possible model of the primitive non-market economy is a customary one i.e. with its complete 'belowness' of rules based on tradition. The second category we can identify is that of command economies i.e. with its complete 'aboveness'; or centralised decision process (e.g. bureaucracy and military despotism, or the organisation of communities ruled by a council of elders). Of course these are pure 'models' in their conceptualisation; in reality systems exist as combinations of rules, customs and bureaucracy. For example, we could contrast feudalism "where custom has become dominant" (1969: 21), with classical bureaucracy, "in which the command element is relatively stronger" (1969: 21).

Without being extremely specific about when exactly the transformation from revenue economy (i.e. primitive economy) to a market economy occurred, Hicks builds a general theory of economic history to explain this evolutionary process. The essential element in this metamorphosis is trade, more specifically the specialisation of trade: "I would emphasise that it is specialisation upon trade which is the beginning of the new world; not the preliminary stages of trading without specialisation" (1969: 25). A simple act of exchanges, without a promise to provide or continue future exchanges, does not constitute specialised trade. With the emergence of *middlemen,* or certain individuals who are willing to inter-mediate the exchange of goods, or develop partial specialisation, the beginning of the transformation process can be identified:

> The distinction between the pure trader, who buys to re-sell, to re-sell what is physically the

> same as what he bought, and the artisan or 'producer' who works on the things he has bought, so as to re-sell them in a different form, is often regarded as fundamental … the primitive 'manufacturer' (to use the old eighteenth century word for him) was a craftsman, but he did not work for a master, like the craftsmen we have met in the Revenue Economy. He worked for the market. He bought and sold. He could not exist without buying and selling. He is therefore to be reckoned (as we shall reckon him) as one kind of specialised trader (1969: 29).

Thus the emergence of traders and the formation of a community of merchants is the beginning of the rise of 'the exchange economy' (Hicks, 1969: 33). According to Hicks, the mercantile economy is neither planned nor anarchic, but is highly individualistic. Hicks goes further than Polanyi in discussing the importance of enforcing contract and property rights, or "the need for protection of property and the need for protection of contract" (1969: 33). In discussing property rights, Hicks acknowledges those rights which make a property identifiable; trading implies promises and trusts, and the merchants need guarantees that such promises will be kept. The need for protection is strengthened by the separation of contracts, or of *the quid* and *the quo* over time, by different disputes that might arise between traders. It seems obvious that changes in laws should accommodate changes within the economic environment. Enforcement of the contract by a third party is important: "Both the protection of property, and the protection of contract, must be established, at least to some extent, if the mercantile economy is to flourish" (1969: 36). Once trade has acquired a certain importance, the need to have adequate and regular legal institutions will naturally stand out. North (1990) points out that the replacement of local courts in the enforcement of rules and contracts by the state, represents a necessary condition for the development of markets.

Contrary to Adam Smith, who related the division of labour to the emergence of markets as a cause and consequence of exchange, Hicks emphasises the importance of specialised traders i.e. middlemen. There are according to Hicks three phases of transformation that need to be set out in order to understand the process of economic evolution from primitive to modern societies. The first phase of the mercantile economy is the system of city states, wherein a trading entity or a body of specialised traders engaged in external trade emerged: 'The mercantile economy, at this stage, is thus to be regarded as a system of trading centres, trading with one another but ultimately dependent upon trade with the outside world" (1969: 43). Hicks (1969) argues that this transformation was gradual, and that trade must have been enhanced by the existence of regular legal institutions in these city states, which protected traders property rights and insured them against risk e.g. pledge and insurance. Despite the localised character of these legal institutions, it is likely that there were similarities between different codes of law, which have been centralised once the process of state formation was in place. Localised trade represents 'the first form of the 'diminishing returns' obstacle to trade expansion" (1969: 46). Moreover, "the evolution of institutions of the Mercantile Economy is largely a matter of finding ways of diminishing risks" (1969: 48). This applies to institutions for the protection of property and contract, mainly due to the fact that cities were dependent upon external trade under conditions of imperfect information. Trade is a source of wealth and power. The first phase of the mercantile system was followed by the middle phase (which coincided with the Middle Ages), this was characterised by the continuation of commerce and trade (despite important social and political changes), the development of legal institutions, and the increase in the use of money in financial arrangements. Hicks acknowledges the development of financial instruments of guarantee for repaying loans, and the development of financial intermediaries, or banks, as "an indication that the bar against interest, at least in appropriate fields, is breaking down" (1969: 78). The facts that marked the development of capital markets were at the heart of transformation of markets from the middle phase of mercantile development into their modern form.

The perspectives on the emergence and historical development of markets set out by both Polanyi and Hicks are important contributions to the economics literature because they establish the presence of markets within society *prior* to the emergence of capitalism[2]. Equally, both of these authors emphasise the importance of the institutional context for the development of markets. Polanyi and Hicks place the self-regulating market in historical opposition to earlier modes of economic provisioning and transaction. By constructing such a dichotomous view which identifies markets with economic principles, and non-capitalism with social relations, they have perpetuated a problematic divide between these modes of production and distribution. The 'market economy', according to many economic historians, such as Hicks, Polanyi, Marx and Weber, is a mechanism for performing transactions, conducted by self-interested, asocial individuals, in contrast to other economic non-market systems which are socially and culturally embedded.

In discussing the differences between the contractual economy and the gift-based economy, Kreitner (2001) acknowledges that the differences are to be found in the creation of wealth (in the case of a market system), on the one hand, and the redistribution of wealth (for a gift-based economy).

[2] This casts doubt on all attempts to clearly identify historical phases associated with specific systems. The idea that there is a specific phase of primitive accumulation which marked the transition from feudalism to capitalism is perhaps too linear. Economic systems are characterised by diversity and residues of previous systems. See, for example, Perelman (2000) for an account of self-provisioning in capitalism.

Moreover, in discussing the evolution of the contractual economy, Kreitner (2001: 1951) suggests that “the rejection of status and gift-exchange, and the attention to formation rather than content, are part of a re-imagination of the market as a distinct sphere of activity”. Thus, a similar distinction with Polanyi is made by Kreitner (2001) and also by Sahlins (1972), whose work has been deeply influenced by Polanyi’s thought. The idea that the economy is a universe entirely different of other universes, and the fact that we can envisage the existence of different social spaces to divide calculability of non-calculability, is contradicted by the institutional nature of markets. After all, markets are built upon different norms, belief systems and values with a diversity of cultural and historical dimensions – as is equally the case of gift as an institution.

The linear model of market development (i.e. market evolution as a series of progressions through which market mechanisms develop and become more sophisticated), to which Polanyi and Hicks subscribe, has become the conventional wisdom within contemporary economics. This theory has constructed an unfortunate opposition between the principles of reciprocity and redistribution (as characterised within the sphere of gifts) and those of rationality and self-interest in the sphere of markets. Within mainstream economic analysis the consequence of the supposed assumptions arising out of the reading of Hicks and Polanyi has been the acceptance of incompatibility of gifts and markets, and the location of altruism as a phenomena outside the realms of market and economic behaviour. The issue of whether this linear perspective is still valid within the context of developing economies, along with the importance attached to the institutional context of market development, is a central question raised within this paper.

1.3 The Meaning and Evolution of the Term ‘Market’

Colloquially, the term ‘market’ initially enjoyed a common meaning which referred to the process of trade and exchange. It latterly came to take on a more overtly ideological meaning through its connection with expressions such as ‘the free market’, ‘private enterprise’, ‘the price mechanism’, ‘laissez-faire’, ‘capitalism’ or ‘the market model’ (see for instance, Shand, 1990: 53). There thus emerges a positive and normative aspect to our conception of markets. On the one hand, we have trade and exchange which might be viewed as conveying the nature of markets in explanatory terms. On the other hand, as noted by Shand, when we advocate markets as a form of economic system, we are offering a normative, ideological judgement about their status.

In every day language, a market has a specific, narrow meaning: it is an event, usually held at regular intervals, at which people meet to buy and sell merchandise or goods. Etymologically, the word *market* derives from the Latin *merx*, *mercis*, meaning merchandise; from this the word *mercatus* was formed implying trade. In the English language, the word market was in use by the middle of the 13th century, and it referred to a meeting at a fixed time for buying and selling livestock or provisions. It also implied a public building or space, where these events were held. The sense of a market as a place of sales governed by the more overtly economic concepts of demand or supply appeared around late 17th century, along with the expression of 'market value' which is attributed to Locke (2004[1690]). As we might expect, it seems that a more limited and narrow sense of markets as 'a place of exchange' emerged earlier than a more 'sophisticated' view of markets (i.e. that of trade governed by demand and supply). The evolution in the use of the word identified here, however, should not be taken as implying an essential change in the perception of the nature of markets. Indeed, the notion of markets as *loci* of trade and exchange remains constant within both perspectives.

In economics, the term 'market' has a more general but not necessarily uniform meaning. Any standard definition within mainstream economics will emphasise that a market is an arrangement that enables buyers and sellers to do business with each other. In this perspective, economics is a science which seeks to discover the laws that regulate market phenomena. The market, as an allocative mechanism, has been a source of controversy over time. For some economists, such as Smith, the market has the potential to promote the common good and the attainment of social interests. This confidence in the outcomes and beneficence of markets pervades the work of certain political economists (e.g. Smith, Bastiat, Mill, etc.) and certain schools of economic thought (e.g. neoclassical and Austrian economics). Whilst markets, for Hayek, have the capacity to minimise 'bad' economic policies, in contrast, for Marx, markets are responsible for alienation and the fetishism of commodities. But irrespective of the desirability, morality, efficiency or equity implied by markets, their nature and functioning has been central to economic inquiry. Indeed, for Buchanan (1964: 214), the essential subject of inquiry for economics should be that of the analysis of markets, in place of a more general 'theory of resource allocation':

> Economists "should" concentrate their attention on a particular form of human activity, and upon the various institutional arrangements that arise as a result of this form of activity. Man's behavior in the market relationship, reflecting the propensity to truck and to barter, and the manifold variations in structure that this relationship can take; these are the proper subjects for the economist's study…The elementary and basic approach that I suggest places "the theory of markets" and not the "theory of resource allocation" at center stage.

For Buchanan[3] (1964, 1975), markets are institutional arrangements in which individuals exchange property rights:

> Economics, the science of markets or of exchange institutions, commences with a well-defined structure or set of individual rights and offers explanatory, predictive propositions concerning the characteristics of outcomes along with conditional predictions about the effects of imposed structural changes on such outcomes. Economic theory is sufficiently powerful to explain many varieties of exchange relationships (1975: 7.2.6).

When discussing the 'curious turn' in economics regarding attitudes towards markets and their importance for the economic life, Sen (1999) refers to the change from radical views which criticised the limitations of the market to a renewed interest in "the virtues of markets" (p.111). Sen (1999) argues for the importance of a truly critical inquiry in examining the need for, and role of, markets and for achieving a balance between recognising the merits of having markets, and the perils of extending or recommending free markets to developing economies.

For Callon (1998) the purpose of distinguishing between the market and the marketplace can be found in the dichotomous 'theoretical' versus 'practical' spheres: whilst *market* may symbolise an abstract mechanism of competition between buyers and sellers, the *marketplace* is the arena where exchange occurs. Furthermore, this example buttresses "a more general opposition, which the English language, once again, has the merit of conveying accurately: that between economics and economy … in short, between economics as a discipline and economy as a thing" (1998: 2).

Perhaps this may seem a purely semantic problem. Nevertheless, this distinction echoes 'the embeddedness of economic markets in economics' and the possibility that 'the theory of markets' is the outcome of a long process of abstraction and simplification of economic assumptions.

Improving the analysis of identity and rationality of economic agents, or denouncing their 'fictionalism' has been on the agenda of economic sociologists and anthropologists for almost a

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[3] For a reply to Buchanan's 'What Economist Should Do?', see Kirzner's 'What Economists Do', in the *Southern Economic Journal*, January 1964, pp.213-22 and pp.257-261. The two authors differs on the *epistemological underpinnings* of economic theory. Kirzner against Buchanan who he sees as presenting economics as a fundamentally empirical science, where "observation suggests certain regularities in economic phenomena; deductive logic then derives implications form these regularities" (p. 260). Thus, in this view, economics "provides knowledge obtained with broadly the same methods employed by the physical sciences" (p. 260). In contrast, the Austrian praxeological approach, termed by Kirzner as 'the Mises-Robins conception of economic science' is a subjective, *a priori*, discipline that provides the *necessary* epistemological foundations for the discipline itself.

century. As Polanyi (1957) observed, individuals' economic behaviour *is* and *can* be different from the constructs that scientists use to represent aspects of that behaviour. Anthropological and sociological writings have contributed during recent decades to the analysis of markets as a cultural entity, and to cultural understandings of the economy and economic processes. By studying markets as cultural models, anthropologists have rejected an understanding of the economic world as being composed only of free, autonomous, rational calculating individuals that make constrained choices in a market with bilateral exchanges (Callon, 1998 and Carrier, 1997). One of the most significant arguments concerning the notion that markets are not populated by autonomous agents has been formulated by two sociologists, Granovetter (1985) and Dore (1983). Other anthropologists and sociologists have been concerned with the market as 'an empirical entity'. Authors such as Plattner (1985), together with Friedland and Robertson (1990), have argued that markets can be viewed as an empirical entity, and that we need to understand how markets interrelate with society.

Carrier (1989: 31) treats the market as a metaphor of the capitalist system and an important element of the Western culture; markets are a symbolical construct, a cultural artefact, which represents Western life: "It appears, then, that the market model is more than just an idealisation of economic activities in particular times and places. It is also an idealisation that itself idealises the modern West". When we consider the development of Western capitalism, of course we cannot ignore the work performed by many anthropologists or historians who concentrated on the social and cultural processes associated with the development of capitalism. As Carrier (1997) points out, scholars such as Marx[4], Weber or Polanyi attempted to illustrate the historical conditions necessary to achieve capitalism (as a system of interconnected markets) and to reject the contention of their universality that led different countries towards economic development. But whilst these scholars have provided useful insights regarding the functioning of different societies and the necessary conditions for economic or institutional changes, they have constructed a rigid boundary between capitalism and non-capitalism.

What is of primary interest when surveying the different historical evidence on markets is the common assertion that in antiquity markets were more than a place of exchange. Markets were a gathering place, economically, politically and socially. The diverse nature of markets emphasised the level of interdependence between these spheres of life. In Roman society, *Forum Romanum* was

[4] Marx's aim was to argue that the opposition between capital and free labour was the result of a particular history, see Marx (1976[1867]).

originally a market place, but became in time a place of public assembly, be that for business or politics. In Greek culture, *Agora*, in the same way, was a meeting place for different sellers, a centre of public life, the place of political meetings and commercial transactions, and the religious and judicial centre of the city. According to Boardman *et al.* (1990), in the archaic period the *polis* (or city*)* was a socio-political organisation that always offered a place for gathering, i.e. *agora*, which was a focal point for justice and governing.

In certain respects, there is a view of ancient societies (which may primarily derive from anthropology) in which they are portrayed as primitive and underdeveloped. From this proposition we have inherited a clear delineation between primitive and modern economies. However, on closer inspection, the organisation of the Greek economy in the fifth century reveals to us that the Greeks had highly specialised trade, forms of protectionism, regulation of consumption, and financial institutions that regulated exchange and the market (see for example Boardman *et al*., 1990: 127, 133, 204, and 219). This suggests that the market was never just a place of simple exchanges between individuals. Economic aspects of life have been important for humankind since antiquity, and the market was a place where important decisions were made. The operation of such markets was governed by different norms, rules and laws which were culturally specific. For instance, the Roman and Germanic codes of law helped govern the exchange of goods, the institution of pledge, credit and usury. Of course, these laws implicitly reflected the moral and ethical code of that society.

The discovery by archaeologists of artefacts whose origin is clearly not *in situ* is evidence that long distance trading was ongoing early on in the development of human settlements. We also know that sophisticated market mechanisms such as market regulators and other market institutions were present in the ancient world. However, the presence of such mechanisms does not necessarily indicate a developed understanding of market processes or market mechanisms. It is equally possible to suggest that these market characteristics were a result of the copying of successful institutions from other societies. In other words, *presence* does not indicate *understanding*. After all, there are many phenomena that have existed for long periods in human history, but in some instances it has taken science much longer to explain the nature and existence of these. Markets existed before and outside a well-established system of rules. In other words, looking at the emergence of capitalism/market economies, we should not just go back to the point of transition from feudalism, we need to look at the emergence, historically, of markets over a drawn-out period.

There is nothing ubiquitous in defining the economic realm as one based on exchange. Indeed, society cannot exist without exchange. In a strict economic sense, through exchange, the division of labour is enhanced and also the efficiency in allocation and production and an expansion of markets. Arguably, we can reduce, with some exceptions such as gift, many types of human interaction to a form of exchange. This is motivated by the possibility of improving one's well-being. The whole of economic science is therefore naturally preoccupied with exchange in the economic sphere. But regarding the economic realm as being entirely 'economic' is misleading and simplifying as economic life is embedded within the social realm. Hence simply viewing economic systems in terms of economic exchanges will inevitably result in an incomplete picture and form of understanding.

Through idealizing, the concept of the market is presented in its purest form. By considering markets as being 'universal', or exhibiting common features for all evolving complex systems, mainstream economists are failing to unpack the abstract notion of the market within the context of specific institutions and practices that can then be analysed. The problem with any abstract model comes when it is assumed to have 'a general' power of explanation, or to be universally applicable to all cases and situations. Perhaps the aim of scientific explanation is unification and as Hodgson (2002: 1) observes we should not underestimate the 'possible value of explanatory unifications'. But at the same time, "the pursuit of a general theory should not lead to oversimplification and thus overturn the very generality that it desired" (2002: 1). Thus, markets are contingent upon different forms of laws, values, and institutions. However, the mainstream approach suggests that the economic system is built on the assumption of the universality of markets.

It is important to ask ourselves why economists portray markets as both pure exchanges and entirely economical in nature, thereby ignoring the social, political and institutional influences on markets as a phenomena. The primary reason for this can be clearly ascertained through an examination of the development of sciences, and more specifically the efforts within the Western World during the eighteenth and nineteenth centuries to make *political economy* or *economics* a separate branch of knowledge. Arguably the subsequent attempt to remove the moral science element of political economy from the mainstream conception of economics served to further enforce the conception of markets as existing purely as exchange mechanisms.

Recently, the analysis of markets as social institutions has been considered by Hodgson (1998, 2001, 2006a, 2006b). Hodgson sees markets not just as economic, universal institutions, but socially embedded institutions, characterised by historically and culturally specific norms and rules (1998, 2001; 2006a, 2006b). Indeed, Hodgson (1988: 174) writes:

> We shall here define the market as a set of social institutions in which a large number of commodity exchanges of a specific type regularly take place, and to some extent are facilitated and structured by those institutions. Exchange, as defined above, involves contractual agreement and the exchange of property rights, and the market consists in part of mechanisms to structure, organize, and legitimate these activities. Markets, in short, are organized and institutionalized exchange.

And elsewhere (2006b: 7):

> We thus arrive at a definition of a market in the following terms. Markets involve multiple exchanges, multiple buyers or multiple sellers, and thereby a degree of competition. A market is defined as an institution through which multiple buyers or multiple sellers recurrently exchange a substantial number of similar commodities of a particular type. Exchanges themselves take place in a framework of law and contract enforceability. Markets involve legal and other rules that help to structure, organize and legitimize exchange transactions. They involve pricing and trading routines that help to establish a consensus over prices, and often help by communicating information regarding products, prices, quantities, potential buyers or possible sellers. Markets, in short, are organized and institutionalized recurrent exchange.

The above passage identifies the tenor of an institutional approach to markets, as claimed by Hodgson. The institution of the market is characterised by a special type of interaction which begins as competition between buyers and/or sellers, and then continues with the actual exchange between the actors. The exchange is relational in the sense that individuals are not autonomously acting on the market, but are interdependent. Their actions are embedded in the social structure, meaning the individual's preferences are internalised; more precisely, the individual preferences are culturally and socially determined. The prices are social institutions, i.e. conventions and norms that establish an influence upon the expectations of the economic agents acting in the market.

We need, of course, to consider what the implications are of defining institutions in line with the institutional analysis of markets. Portraying markets as a diverse body of institutions makes us consider issues such as values and norms embedded in the market, institutions which are part of markets such as organizations (e.g. the stock market), or institutions as legal structures (e.g. legal rules which govern contractual interactions). Markets structure a certain type of interaction, i.e. economic exchanges. We say that they structure economic and social relations because it is from this permanency and durability that individuals can create stable expectations concerning the behaviour of other agents, the evolution of prices, etc. If we consider the Veblenian dialectical view on institutions as incorporating elements which make them reluctant or resistant to change and properties that are dynamic and contribute to the progress of civilisation, e.g. such as technology in Veblen's and Ayres's work, what kind of institution is *the market*?

Markets have changed in time rather than being a conservative element in societies; markets are permanent institutions, over-arching other institutions within the capitalist system. The market as an entity does not change, but within the market *processes* evolve and the market forces, such as expectations, conventions on prices, and legal rules, adapt and change. Markets do contain dynamic elements and also latent values, e.g. Lukes (1974) concept of latent power being the ability to shape the norms and values of stakeholders and hence to structure their behaviour through the prevention of questions concerning the merits of dominant structures (i.e. markets). If we take up the idea that institutions are habits of thought and action, we can think of the fact that markets are so embedded within the contemporary social system that their existence is not questioned by groups or individuals in those societies, as markets have been enshrined in the value system of society. After all, the recent political events and the fall of the Berlin wall finally emphasised that markets as institutions proved to be the most successful form of human organization – a line of argument that falls within the central premise of Francis Fukuyama's *End of History* (1992).

Hodgson (1988: 178-179) attempts to outline a number of theoretical implications that can be derived from the institutional definition of markets:

- The institutional view of markets argues against the classical view of markets as being a natural order and an aggregation of subjective preferences in an institutional vacuum; instead, all exchanges take place and interact within an institutional context;
- If all markets are institutions, then we can advocate the endogenous nature of institutions for development and for the economic analysis;
- Markets are a means for transmitting information and knowledge (as argued by Austrians), but they also have a transformational model, having causal properties through shaping individual behaviour, beliefs, preferences or cognitive processes;
- Markets are specific, cultural institutions, and not a universal category of human interaction.

The implications of all these considerations for a theory of markets consist of a powerful critique of the mainstream conception of markets, and the advancement of a proposal relating to economics that would constitute a breaking paradigm from the static, non-evolutionary and individualistic character of previous economic doctrines. The next section of this paper will investigate the nature of gift and gift-giving and their implications upon the analysis of economic behaviour.

1.4 Gift as an Institution

Norms and rules are examples of institutions, which have varying degrees of permanence. Whilst norms and rules prevail at a point in time, they also evolve and change historically. In this section we will explore one particular example – the case of *gift* – which has been important historically, as well as serving a useful function in reducing uncertainty in some important social interactions. For example, it has been claimed that gift was used to open a social relationship, to accumulate prestige and to overwhelm rivals (Mauss, 1966). Gift-giving was also used to create trust, cohesion and social capital (Homans, 1961). Therefore, prior to looking at the theorising/modelling of gift by economists, we will investigate the views offered by sociologists and anthropologists.

In anthropology the traditional theory of gift can be traced to Malinowski (1961[1922], 1926). This asserted that people give because they expect to receive, and people respond because they fear that others will stop giving or stop interacting. Through this process we can explain the emergence of reciprocity. To illuminate this Malinowski (1961: 27) distinguished between economic and social exchanges and used the example of the people from the Trobriand Islands and *kula* exchange:

> The giving of gifts may be the 'expression' of the superiority of the giver over the recipient. In others, it represents subordination to the chief, or a kinship relation or relationship in law. And it is important to realise that in all forms of (social) exchange in the Trobriands, there is not even a trace of gain, nor is there any reason for looking at it from purely utilitarian and economic standpoint, since there is no enhancement of mutual utility through the exchange.

In this perspective gift is a type of social exchange, distinct from the market exchanges. Power and custom, rather than utility maximisation, is the driver in this social relationship. Malinowski argued that the critical part in this exchange process is the return side – the 'equivalent counter-gift' – that balances the exchange: "Every ceremony, every legal and customary act is done to the accompaniment of material gift and counter-gift" (Malinowski, 1961: 159). This is extremely important since Malinowski's view of this social relationship seems to require reciprocity.

Malinowski's important contribution was developed by Mauss (1966), who asserted that gifts were not used to exchange goods and services, but formed the underpinnings of alliances which were broader in essence. Such alliances contribute to social cohesion and, of course, are not devoid of economic significance. According to Bourdieu (1977), gift meant a conversion of economic capital into social capital. Gift, therefore, had both an economic and a broader social dimension to it. It is also important to note that Mauss questioned Malinowski's definition of gift, casting doubt over the belief that a gift could be given without some expected return (Wiener, 1992). In response Malinowski reclassified 'pure gifts' in terms of 'mutual services balance':

> The gifts of food in the system of exchange described above must be offered according to strict formalities in specially made measures of wood, carried and presented in a prescribed manner, in ceremonial procession … Now nothing has a greater sway over the Melanesian's mind than ambition and vanity associated with a display of food and wealth. In the giving of gifts, in the distribution of their surplus, they feel a manifestation of power, and an enhancement of personality … generosity is the highest virtue to him, and wealth the essential element of influence and rank (Malinowski, 1961: 29).

Moreover, he acknowledged some confusion in his classification of gifts into pure and impure forms:

> My ideas about primitive law were not mature at that time, and the facts are presented there without any reference to the present argument – their testimony only the more telling because of that. When, however, I describe a category of offerings as 'pure gifts' and place under this heading the gifts of husband to wife and of father to children, I am obviously committing a mistake. I have fallen then, in fact into the error exposed above, of tearing the act out of its context, of not taking a sufficiently long view of the chain of transactions. In the same paragraph I have supplied, however, an implicit rectification of my mistake in stating that a gift given by the father to his son is said (by the natives) to be a repayment for the man's relationship to the mother'. I have also pointed out there that the 'free gifts' to the wife are also based on the same idea … It would be found then in native ideas that the system is based on a very complex give and take, and that in the long run the mutual services balance (Malinowski, 1961: 40).

Malinowski's (1961) work was the first in anthropology to make a distinction between economic and social exchange, i.e. *ceremonial exchange*.[5] This work was substantially developed by Mauss (1966) who stimulated important debates on gift, exchange, commodities and utilitarian versus

[5] Bohannan makes the same distinction concerning the Tiv population in Nigeria: "Distribution of goods among the Tiv falls into two spheres: a 'market' on the one hand, and gifts, on the other. The several words best translated 'gifts' apply … to exchange over a long period of time between persons or groups in a more or less permanent relationship. The gift may be a factor designed to strengthen the relationship, or even to create it! On the other hand, a 'market' is a transaction which in itself calls up no long-term personal relationship, and which is therefore to be exploited to as great degree as possible" (Cited in Ekeh, 1974**:** 26).

symbolical meanings.[6] In his work Mauss sought to:

> … isolate one important set of phenomena: namely, prestations which are in theory voluntary, disinterested and spontaneous, but are in fact obligatory and interested. The form usually taken is that of the gift generously offered; but the accompanying behaviour is formal pretence and social deception … the transaction itself is based on obligation and economic self-interest (1966: 2).

This is something we will explore in offering a taxonomy of gift. More specifically Mauss proposed to investigate the following: "In primitive or archaic types of societies, what is the principle whereby the gift received has to be repaid? What force is there in the thing given which compels the recipient to make a return?" (1966: 1). Mauss's intention was, in his comparative study of different practices of gift exchange in archaic societies, to provide an explanation of the motivations that underlie these processes: i.e. why do people, communities and groups reciprocate? A good example to illustrate reciprocity is the concept of *potlatch*:

> We are here confronted with total prestation in the sense that the whole clan, through the intermediacy of its chiefs, makes contracts involving all its members and everything it possesses. But the agonistic character of the prestation is pronounced. Essentially usurious and extravagant, it is above all a struggle among nobles to determine their position in the hierarchy to the ultimate benefit, if they are successful, of their own clans. This agonistic type of total prestation we propose to call the 'potlatch' (Mauss, 1966: 4-5).

Elaborating: "The potlatch, so unique as a phenomenon, yet so typical of these tribes, is really nothing other than gift exchange" (1966: 33).

Mauss (1966) states that potlatch is an institution (within Melanesian and Polynesian societies) based on three obligations: the obligation of giving, of receiving and of repaying the gift. The obligation to give is the essence of potlatch, a chief must prove that he possesses fortune; also, "failure to give or receive, like failure to make return gifts, means a loss of dignity" (1966: 40). The obligation to repay is very important as the gift must be returned with interest and "the interest is generally between 30 and 100 per cent a year" (1966: 40).[7] Gift-giving, in these societies, therefore

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[6] The notion of gift has raised interesting issues in contract theory about the possibility of enforcing promises: "The judges appear to be searching for sufficient reasons to enforce the gift, but this search masks a more difficult and perhaps contradictory one, the search for reasons for giving the gift. In the search for such a cause, judges seem to rely on a logic that hopes to locate the gift within an economy of reasons. But this search, while perfectly understandable in context, undermines basic ideas about the nature of gifts" (Kreitner, 2001: 1925).

[7] The exposition of the concept of potlatch enables Mauss to mirror that the origins of credit can be found in the system of gift.

appears to be a form of social interaction that involves additional social dimensions in that power, status and reputation are important.

Mauss has universalised the theory of gift exchange across all societies and has directed our attention toward the importance of studying archaic societies to improve our own understanding of modern society. According to Mauss the expectation of reciprocity is essential, historically and presently, for the gift exchange process. Furthermore, Mauss maintained that the system of total prestations – i.e. when groups rather than individuals carry on exchange, make contracts or are bound by obligation – is the oldest economic system that can be conceptualised. Hence gift is important historically, and there are overlapping characteristics with market systems.

The work of Mauss has been subject to criticism. If we are going to consider 'giving', whether in pure or impure form, it is important to consider what is *not* given. In challenging Mauss anthropologists like Wiener have argued:

> What motivates reciprocity is its reverse – the desire to keep something back from the pressures of give and take. This something is a possession that speaks to and for an individual's or a group's social identity and, in so doing affirms the difference between one group and another (Wiener, 1992: 6).

According to Wiener, it is not reciprocity but the principle of keeping-while-giving that explains the obligation to return a gift: "Things exchanged are about things kept" (Wiener, 1992: 10). A person gives something away, and the thing itself retains a part of that person's substance or spiritual essence. This is the reason why "all exchange is predicated on a universal paradox – how to keep – while giving" (1992: 5). Wiener elaborates by suggesting that it is not the idea of the return gift that generates exchange, but rather the attempt at keeping inalienable possessions out of exchange. Inalienable possessions are *things* or *goods* which retain a personal connection with their owner; in time, they accumulate a personal/subjective value or worth which is quite distinct from the exchange value of simple commodities. This is the reason why people participating in these exchange processes try to keep these possessions out of circulation as much as possible. Commodities are easy to give, but some possessions are so strongly implicated in the identities of their owner that they cannot easily be given away. According to Wiener (1992) such inalienable possessions bestow upon individuals (and groups) their difference from others; when such individuals (or groups) enter into exchange relations with others, the difference established through their inalienable possessions affect the very process of exchange. In this paper we contend that what is important in Weiner's observation is that despite the inalienability of the *kula shell*, it is capable of generating and sustaining a long and intense series of exchanges. It manages to do so in such a way that permits the exchange and circulation of both ordinary and remarkable items. Thus:

> Instead of perceiving kula transactions simply as gifts and counter-gifts, it is essential to visualize the maze of plays and strategies as layers of exchange which one must constantly build up over time and then keep track of it. There can be no dependency on one gift for one return. Rather a player must keep giving to convince partners that he is someone whom they should trust (Weiner, 1992: 141).

Such is the paradox of keeping-while-giving: it is neither exchange in the sense of a transfer of equivalents, nor an impure gift in the sense of establishing an obligation to reciprocate. Therefore:

> Each kula shell presented to another player is given up at a great loss because its history and repetition cannot be replicated. For this reason, a kula player who is able to obtain a famous shell tries to keep it out of circulation, guarding it for ten, fifteen or even thirty years (Wiener, 1992: 133).

It is in this precise sense that these possessions are said to be inalienable. Each inalienable possession is unique and, therefore its ownership assigns difference to its owner; the loss of such an inalienable possession diminishes the self and the group to which the person belongs. However, as Wiener remarks, theft, decay and political events often separate such an inalienable possession from the owner.

It has been suggested that the institution of gift represented the fundamental form of achieving exchange in traditional societies. The concept of exchange is seen by anthropologists as being of a utilitarian type (i.e. economic exchange) or as a symbolic interaction (i.e. a social exchange). For Levi-Strauss (1969), social exchange is a form of normative behaviour which is governed by rules. Exchange, according to Ekeh (1974), is a type of behaviour which is developed in the framework of societal rules and norms. The concept of exchange (economic and social) appears, in essence, to be a sociological structure and a form of human interaction (along with conflict, domination, etc.). However, the difference between interaction and exchange rests on the nature of any transfer accompanying the action itself. Interaction can be seen as a transfer of one's own energy, whereas exchange implies that the well-being of individuals involved will be greater than before the action occurred. Such transfers can be seen as either voluntary or involuntary, and can result in either positive or negative outcomes for the individual concerned. The term interaction may refer to a unilateral or bilateral process, whilst exchange by definition involves a two-way process.

The effect of exchanges has been elaborated upon by Simmel (1971). He has argued that all types of exchanges produce an increase in well-being (or "subjective value"). Value is not cardinally measurable in the same way that profit or loss might be; instead, Simmel argues that value is entirely subjective, and objective views of value (as in the case of the labour theory of value) are metaphysical in origin. In the Simmelian view, exchange is a particular form of social interaction which can be contrasted with other forms such as conflict and domination. Simmel's view on economic exchanges is not entirely clear. On the one hand he argues that economic exchange is distinct from other types of exchange because it "is at least free of some tinge of sacrifice" (Simmel, 1971: 44). However, paradoxically he claims that: "economic exchange … always entails the sacrifice of some good that has other potential uses, even though utilitarian gain may prevail in the final analysis" (Simmel, 1971: 45). This contradiction aside, what is important here is that the principle of value underpinning exchanges (be they gift or market) is subjective, and this resonates with the treatment of value in Austrian economics.

Gift as a system of exchange has been elaborated on by Mauss, although in his anthropological study of archaic societies he examined gift exchange in terms of groups. He explicitly claimed that the analysis of the social rules at work in such circumstances allows us to draw moral conclusions concerning the organisational principles that ground our own society. Therefore,

> Mauss's chief contribution to social exchange theory is his recognition that social exchange processes yield for the larger society a moral code of behaviour which acquires an independent existence outside the social exchange situation and which informs all social, economic and political interpersonal relationships in society (Ekeh, 1974: 58).

It seems that the duality of gift, or the co-existence of generosity and interest that motivate gift giving, is the *leit-motif* of the traditional view advanced in sociology and anthropology.[8] In archaic societies Mauss (1966) suggests wealth is not to be accumulated but, rather, should be given away. People give because they are forced to or because in some societies the practice of gift-exchange brings abundance. As a symbolic belief, it was important to exchange with 'the spirits of the dead', the real owners of the world's wealth. Thus the motivations for gift giving are conflated, for

[8] One argument here is that from observing archaic societies, our picture of gift processes adds to our understanding of our own material and moral life.

example by Mauss; indeed, it is important to distinguish between a *pure gift*, which implies no expectation of reciprocity (or *quid pro quo*) and an *impure gift* which is given in anticipation of a return. However, in contrast to philosophical treatments of gift (e.g.) these early economic anthropologists blur the distinction between pure and impurely motivated gift-giving.

Mirowski, too, argues fundamentally against the discourse of economic anthropology because it offers gift-systems as an alternative to market-systems. This position echoes the argument advanced within this paper in relation to the development of different economic systems. Elements which are seen as being opposed in terms of motivation such as market behaviour and gift giving can co-exist in different phases of economic development. i.e. systemic pluralism. Rather than offering the two systems as alternatives, Mirowski seeks to connect them with a theory of value. However, such a theory of value, in the sense of a system of invariance, is required:

> The condition which both initiates new exchanges and keeps the system of exchange functioning is the possibility of something outside the value sphere, namely, the gift … It is the proposition which can be stated within the system (something for nothing needs a value invariant) but which cannot be computed within the system (the paradox of gift) (Mirowski, 2001: 455-456).

The 'corrupt' discourse of economic anthropology and the conflation of gift theories have created difficulties which have impeded the analysis of gift in economic theory.

1.5 *Homo Economicus*, Altruism and Gift

We have established that even quite conventional anthropological perspectives on gift, such as that of Mauss (1966), view reciprocity as important in gift-giving. This, coupled with the principle of keeping-while-giving, suggests that what may appear to be an altruistic or selfless act may actually be motivated by expectation of return (i.e. reciprocity). In this sense gift-giving may be more similar to a market-type exchange than might at first seem to be the case. This raises interesting questions about the motivations of individuals and suggests that economics might have a contribution to make to our understanding of gift-giving[9].

Within economic theory, there is a long tradition of assuming human behaviour is inherently selfish. This is manifest in the preoccupation with utility or profit-maximization by mainstream theorists.

[9] For a discussion of a gift economy as a system opposed to a market economy, see Cheal (1988). For an analysis that explores the features of gift economy as an anarchistic system, see Call (1999).

Thus, Edgeworth (1881: 16) stated that: "The first principle of economics is that every agent is actuated only by self-interest". Wicksteed (1910) has challenged the view that selfishness should be the only principle in modelling human behaviour, and he elaborated on the principle of *non-tuism*. This assumes an agreement has two parties, each of whom are focused on the promotion of their own (not necessarily selfish) interests rather than the promotion of the other party's interest. Obviously, this distinction cannot avoid the criticism directed toward economic perspectives founded on individual optimizing behaviour. More contemporary economists, too, have challenged *homo economicus* as a modelling assumption. Noteworthy among these is the Bank of Sweden Prize in Economic Sciences winner, Amaryta Sen (1977), who rejected counterpoising egoism and other moral systems (e.g. utilitarianism). Sen has further suggested that economists need to accommodate commitment as a part of their analysis of human behaviour. This resonates with some of the discussion in the previous section, which explored reputation and commitment in Melanesian and Polynesian societies.

Recent studies in economics, such as Fehr and Gachter (2000: 159), suggest that people behave in a reciprocal manner: "Reciprocity means that in response to friendly actions, people are frequently much nicer and much more cooperative than predicted by the self-interest model; conversely, in response to hostile actions they are frequently much more nasty and even brutal". What is interesting is that Fehr and Gachter (2000) are suggesting reciprocity may be disproportionate. This contrasts with standard accounts of cooperation or retaliation; for example, tit-for-tat strategies in game theory suggest a reciprocal and perhaps proportionate response (see Axelrod, 1984 and Kreps, 1990). Also, note that reciprocity is different from altruism, in the sense that reciprocity is conditional, whereas altruism is unconditional. Even though Fehr and Gachter (2000) argue that "in the case of reciprocity, the actor is responding to friendly or hostile actions even if no material gains can be expected" (2000: 160), the origins of reciprocity are not explained. Parallels can be drawn between this and the utilitarian fallacy whereby utilitarians are unable to explain why an individual will behave in such a way to maximise the happiness of the community. This aside, it is important to note that reciprocity presupposes *an in-kind response to beneficial or harmful acts*: this, it would seem, is underpinned by self-interest or impure altruism. These are patterns which have been investigated, with some success, in game theory and experimental economics, plus institutional theory.

In recent decades progress in the economics of interaction has been achieved using concepts derived from biology. Important contributions have been made in institutional theory, the theory of firm and the evolutionary theory of games, tested through experimental economics. The self-interest axiom in particular, has been revisited. It was the dominant view in sciences such as biology and psychology that selfishness secures efficiency in nature as a survival form. The extent to which this literature concerning self-interest directly influenced economic thought is open to question. Whatever the nature of influence however, there are clearly similarities between approaches in biology and psychology, and the assumption of self-interested human action which dominates market theory within neoclassical economics. The principle underpinning the theory of natural selection is that all species experience change and evolution in a continuous way and over vast periods of time. Natural selection was defined in the Darwinian (or orthodox) approach as a process whereby fitter organisms survived in a struggle for existence. As a consequence, natural selection appears to be a process that promotes selfishness and rules out altruism. Prior to the 1960s, group selection and altruism were generally unacceptable in evolutionary theory; however, new theories on group selection have emerged which have argued that altruism is possible. This, then, sets the backdrop against which we can assess economic theories of gift-giving. In the following, we shall try to separate out significant contributions form economists and consider the discussions they have generated in relation to altruism, gift giving and their implications for economic analysis.

One important contribution to labour economics has been offered by Akerloff (1984), who essentially adopts a Maussian model of gift exchange, based on reciprocity, in to examine the relationship between workers and firms, as part of the process of wage determination in the labour market. According to Akerloff, the neoclassical economic model cannot explain, simultaneously, the behaviour of the firm plus the behaviour of individuals who perform work in excess of their contractual obligation. Instead of adopting an instrumental approach to labour supply and effort, Akerloff instead advances a sociological model of behaviour based on norms. Workers acquire feelings for each other, and for the company, giving the firm a 'gift' by providing more effort than they are obliged to: "As a consequence of sentiment for the firm, the workers acquire utility for an exchange of 'gifts' with the firm – the amount of utility depending upon the so-called norms of gift-exchange" (1984: 145). The nature of this gift is elaborated upon by Akerloff:

> Of course, the worker does not strictly give his labour as a gift to the firm; he expects a wage in return and, if not paid, will almost certainly sue in court. Likewise, the firm does not give the wage strictly as a gift ... The norm (or 'standard' as Mayo termed it) for the proper work effort is quite like the norm that determines the standards for gift giving at Christmas. Such gift giving is a trading relationship – in the sense that if one side of the exchange does not live up to

> expectations, the other side is also likely to curtail its activities (1984: 151).

In addition, Akerloff suggests that "if part of worker effort is a gift, likewise, part of wages paid should be a gift" (1984: 154). Notice, here, the expectation of reciprocity, hence the gift-form is impure. Perhaps we should also note that it is the *additional* effort (above that which is contractually required) which is the gift, just as the 'gift' from the firm would be any additional wage about the market-clearing wage. The explicit reference to a 'trading relationship' between worker and employer makes clear the impure nature of this gift. Very often economists (e.g. Becker, 1981) argue that altruism is not a market characteristic, but can be present in families or households. Since members of the family are maximizing the utility of the *oikos* (the household), altruism is nothing else but self-interest.

One important study on gift, which is of interest to economists, is Titmuss's investigation of the role of altruism in the context of blood donation. He was interested in the consequences of treating human blood as a commodity, i.e. a good that can be bought and sold on the market. More specifically, he explored *selling*, vis-à-vis *giving*, blood. Titmuss offered a comparative analysis (based on empirical data) of the efficiency of the United States system – a quarter of which relies on paid donations – with the British system which is supplied by voluntary donations. His results support the efficiency of the British system, centred upon altruism and reciprocity, and this evidence influenced the policy pursued by the US Health Department (Mirowski, 2001).

Titmuss emphasized that the role of giving, gifts and altruism is even more important than was suggested sociology or economic anthropology. He argues:

> First, that gift-exchange of a non-quantifiable nature has more important functions in complex, large-scale societies than the writings of Levi-Strauss and others would suggest. Second, the application of scientific and technological developments in such societies, in further accelerating the spread of complexity, has increased rather than diminished the scientific as well as the social need for gift relationships. Third, for these and many other reasons, modern societies now require more rather than less freedom of choice for the expression of altruism in the daily life of all social groups (Titmuss, 1970: 224).

Titmuss concludes that the introduction of a price for blood corrupts the free choice of the individual and his/her altruistically motivated giving-actions. He further criticizes a market-based economic system, and the role of mainstream economics:

> These are basic criteria which economists would themselves apply in attempting to assess the relative advantages and disadvantages of different systems …These four criteria which to some extent overlap are, briefly stated: (1) economic efficiency; (2) administrative efficiency; (3) price - the cost per unit to the patient; (4) purity, potency and safety – quality per unit. On all four criteria, the commercialized blood fails (1970: 205).

Empirically, market-based supply of blood is less successfully than blood donation based on pure altruism. Moreover, a narrow, economic view fails to capture other aspects of social interaction: "choice cannot be abstracted from its social context, its values and disvalues, and measured in 'value free' forms. Blood distribution systems cannot be treated as autonomous independent process" (p. 243).

This view of gift-giving in the context of blood donation has been subject to criticism from within economics by proponents of the self-interest axiom (Collard, 1978). Others have pointed out the uneasy tension between mainstream economics and Titmuss's work. Thus, Arrow suggests:

> The aspect of Titmuss' work that will probably have the most striking effect both immediately and in the long run is his argument that a world of giving may actually increase efficiency in the operation of the economic system. This is on the face of it a direct challenge to the tenets of the mainstream of economic thoughts … since the time of Adam Smith (Cited in Mirowski, 2001: 457).

On of the arguments for sustaining self-interest in mainstream economics derives from Smith's concept of the *invisible hand* (see Collard, 1978). The invisible hand provided the mechanism for spontaneous order. Later theories in economics have, however, cast doubt on the efficiency of self-interested actions, for example the literature on externalities, public goods and other examples which resemble prisoner's dilemmas. Whether the invisible hand is successful in generating spontaneous order or not, the claims that an alternative system of provision is necessarily invalidated are not proven. In other words markets may well allocate in a desirable way for some commodities, but for other transfers institutions such as gift may be invaluable.

Recent attempts have been made to apply models of giving and altruism to issues like charity and intergenerational transfers (see Andreoni, 1989). Also, altruism is important when considering government deficits and public expenditure; intergenerational transfers though bond issue for example can be thought of as a negative gift (i.e. debt to future generations) or as a positive gift (i.e. surplus for future generations). Indeed, Mauss (1966) too considered social security as a form of gift from a group to an individual. In the context of transition societies, too, gift may be important, though the form it takes may be controversial. In the context of transition Negru and Ungurean (2001 and 2002) have argued that there seem to be a plurality of motivations – such as self-interest, generosity, spontaneity and compulsion – underpinning human behaviour. Transfers, in the form of a gift to the pubic sector, are frequently made, and the relationship between a gift and bribe may be ambiguous (although it is clear that we would wish to draw a firm distinction between gifts and bribes in terms of their motivational character).

It would seem from the previous arguments that gift has some relevance for contemporary societies, both in an individual and collective form (e.g. welfare policies). Both Levi-Strauss (1969) and Mauss (1966) both believed that gift-giving was of far more importance in archaic societies than in our own. The nature of gift-giving, too, was different, involving other social aspects:

> Both Levi-Strauss and Mauss, and other anthropologists, have sought to show that exchange in primitive societies consists not so much in economic transactions as in reciprocal gifts, that these reciprocal gifts have a far more important function in these societies than in our own, and that this primitive form of exchange is not merely nor essentially of an economic nature but is what is called a 'total social fact', that is, an event which has significance that is at once social and religious, magic and economic, utilitarian and sentimental (Titmuss, 1970: 210).

While this may be true, it still does not demonstrate that gift-giving is always impure in contemporary society; indeed, Mirowski (2001) attacks neoclassical economics for assuming that "any transfer of resources which was not 'chosen' by the recipient through the market will generally be inefficient, by some optimality criteria" (2001: 449). Mirowski dubs the idea that gifts are impossible – or always impurely motivated – the "futility thesis". For example a case of the futility thesis can be found in the work of Sugden (1982), who argues that the neoclassical case for governmental supplement to philanthropic provision of public goods is based upon a logical inconsistency between the postulates of publicness, utility maximization, and Nash Conjectures (see Mirowski, 2001: 457). Even though the theory seems to acknowledge the impossibility of gift, the individuals still practice it.

In summary, it can be seen that the mainstream economic view of gift is as follows; pure altruism does not really exist as a motivational force in gift-giving because it contradicts the self-interest axiom upon which mainstream economics is founded. Therefore, it follows that all forms of gift and giving are either impossible or impure. Thus *pure giving* seems to be incompatible with the assumptions about human nature adopted by mainstream economics.

1.6 Implications for Economic Analysis

The function of this paper has been to examine the nature and development of markets, and the discussion presented within it has been used to illustrate that markets have always, and continue, to exhibit a wider economic and social role than that prescribed by the conventional view of markets as simply exchange mechanisms. The focus upon the development of markets has considered the linear market development model advanced by the likes of Hicks and Polanyi. This accepted position within economic analysis argues that markets are the natural evolutionary successor of gift-based economies. By looking at markets as institutions, it is possible to connect our thinking about them with other institutions which are observed in contemporary economies, such as gift. We argue that the presence of certain modern market characteristics within ancient societies, and the survival of gifts within transitional economies, challenges the accepted wisdom in relation to both the development of markets and the non-possibility of the dual presence of market and gift-like institutions within the same economic system. A linear model of development which emphasises an organic process of replacement of a gift economy with a market system has to be challenged. In addition, this discussion is timely in that as new markets emerge in developing economies it is important for economists, and social theorists, not to adopt uncritically the frameworks of mainstream economics. Thus 'markets' do not work in the way neoclassical economists suggest they do.

In this paper we have explored the Polanyian and Hicksian views on the historical emergence of markets and the meaning of market within economic analysis. We have also examined the evolution of markets, and their emergence as both economic and social (institutional) constructs. What materializes out of these historical theories is the importance of long-distance trade for the rise and development of markets. Furthermore, until the industrial revolution took place, the economic system is seen as being embedded within the social system whilst markets are 'purely economic accessories'. Conventionally, both historians and anthropologists have presented the spheres of market and gift in complete opposition. As an outcome, a linear view of economic development has resulted, consisting of the portrayal of the gift economy as a natural precursor to the market economy. This view has been challenged within this paper. Both markets and gifts are based on norms and belief systems and they seem to contain residues that survive different transformations phases in society. This theory raises interesting consequences for a perspective that seeks to understand and explain the developmental processes that take place in transition economies. The transition experience has shown clearly that the emergence of markets institutions coexisted with norms, gift, bribe and other types of informal institutions.

This paper has also highlighted the narrow conceptions of gift that currently populate mainstream forms of economic analysis. The narrative has explored the relevance of gift-giving as a mechanism for informing economic analysis and understanding. As an institution and a social norm, the significance of gift has changed across times and cultures, but it seems that its main gist has remained that of bonding and helping social relationships. Conventionally, sociologists and (economic) anthropologists have presented gift as a type of exchange. Neoclassical economists have followed this particular meaning of exchange or reciprocity that we have termed impure giving. Gift, altruism, charity and related topics bear important consequences for the analysis of human behaviour. Nevertheless, despite passionate critiques addressed in the direction of the conception of rationality, homo economicus or economic behaviour as portrayed by neoclassical economics, economists have not pursued seriously the project of analysing altruism or gift (with the few exceptions coming from another heterodox perspective i.e. feminist economics). Becker (1981), for instance, has argued that although altruism is present in the family, it is not part of economic behaviour within markets. Neoclassical economists seem to be more interested in the market consequences of individual choices rather than the choices made by people *per se*, despite the fact that individual choices are the causal intermediaries. The outcome of this focus again seems to represent a neglect of the complexity of reasons and motivations lying behind human actions. Gift is significant for economic analysis not only because we need a more complete understanding of human behaviour in economics, but also because of its importance as an institution and as a norm underpinning part of the development processes that sit alongside markets. Gift in the form of bribery and corruption, is an explanatory institution coexisting with markets, for example in transition economies. This has the great potential to explain change, or resistance to structural change, in these societies.

If economic reality informs us of an alternative conception of the relationship between gift-giving and markets to that which is posited within mainstream theory, then there is evidently a need for the adoption of a more pluralist approach to the analysis of economic systems and development. Pluralism can be explored at different levels (e.g. *methodological pluralism*, *theoretical pluralism*), but in this paper the focus has been on what we can term as *systemic pluralism*. Pluralism entails a notion of incommensurability or incompatibility between ideas, assumptions, theories, and so on.

Theoretical pluralism identifies the number of meaningful theories that can coexist, and thus relates to the issue of the existence of schools of thought and questions concerning the nature of their boundaries. Through a discussion of the nature of gift, and whether the institution of gift exists outside the confines of the market, we have advanced a form of systemic analysis which is pluralist in its approach.

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