

Analysing actually-existing markets

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ABSTRACT: Market exchange is being extended to more and more activities including essential goods and services which have been the longstanding domain of state provisioning. To understand the impact of these changes on social provisioning and society more generally, this paper posits a framework to analyse empirical real-world markets. Key theoretical propositions about markets in space and time, property rights and contract law, and the behaviours shaping exchange, are distilled to twelve distinctive properties of markets. These properties foreshadow an analytical grid of questions to interrogate the structure, operation, participants, behaviours, rules, price setting and more, of a market and thus generate a substantive, realistic picture of the outcomes and implications of the development of contemporary capitalism.

Introduction

In the final years of this century's first decade, global financial markets went into free-fall leading to the severest economic crisis since the Great Depression. Stern's (2007) highly influential *The Economics of Climate Change* drew the world's attention to the inadequacy of 'unfettered' markets to address the economic consequences of climate change from capitalism's insatiable appetite for fossil fuels and the attendant carbon emissions. The United Nations' Food and Agricultural Organisation (FAO 2011) has reported on the factors driving volatile food commodity market prices since 2003 and the implications for adequately feeding billions of people around the world. Energy prices, particularly for households, have escalated rapidly following the global liberalisation of electricity markets leading to embedded energy impoverishment (Chester and Morris 2011).

These are four examples of contemporary market 'failure'. Nevertheless, the market is still considered by mainstream economists, policymakers, the media and politicians as being the far superior coordinating mechanism for all capitalist economies. The "almost biblical status" of free market fundamentalism remains sacrosanct (Giroux 2009). Market solutions remain the preferred policy solution for all economic and social policy problems. Debate continues about the regulation of global financial markets to 'prevent' another crisis. Further trade liberalisation and increased competition is advocated to deal with substantive increases in food and energy prices. New markets have been created for renewable energy sources and carbon trading as the dominant policy response to arrest the growth in carbon and other greenhouse gas emissions. This 'spatial spread' or extension of markets has also been "accompanied by their deepening or intensification, as more and more social spheres and an increasing range of 'necessaries of life' ... become commodified" (Streck 2011: 155). The process of marketisation denotes contemporary capitalism both in terms of extension of market mechanisms and an intensification of market coordination in established market settings.

Public policies have become embedded with market-based mechanisms based on economic concepts derived from the logic of perfect competitive markets. As a consequence there has been a radical transformation of markets which have been the longstanding domain of state provisioning and determine - to a very significant measure - the health, standard of living and social inclusion of the population. These markets provide goods and services essential to society's well-being such as education, health, public housing, electricity, water, and services for

the disabled, aged and unemployed. ‘Essential’ markets provide a base or minimum level of goods and services to individuals, families and households to protect them “from misfortune and the random blows of fate by providing the most basic rights and levels of collective security and protection” (Giroux 2009).

Direct provision by the state has been supplanted by, for example, the contracting out of services delivered to the unemployed through competitive tendering arrangements with private sector providers. New higher education fees, set at levels equivalent to the costs of providing higher education places, have been introduced concomitant with the reduction of state funding to institutions and the introduction of student loans. Other examples include fees being imposed for time spent in immigration detention centres, the charging of market rents to public housing tenants, the provision of infrastructure through commercial contracts with the private sector, and the framing of universal health insurance as a solution to market failure.

The rationale for market-based public policies has been couched in terms of the need for greater economic efficiency. Consequently contemporary public policies are almost exclusively framed in the abstract concepts of competition, efficiency, supply and demand, or the need to address market failures. This is the lexicon of neoclassical economics which portrays the market as a normative ideal framed around a set of abstract assumptions and a market is conceived “as a space for carrying out identical transactions which bear on one well-defined product and lead to the determination of one price” (Coriat and Weinstein 2005: 2).

In addition, to the widespread adoption of market-based policy instruments transforming traditional state provisioning of markets essential to well-being, public sector assets have been privatised and complex new regulatory regimes have been instituted. The latter include: economy-wide regulation-*of*-competition which controls and prescribes directly the market behaviour of individual firms to prevent market concentration through, for example, the reviewing of proposed mergers or cross-ownership; sector-specific regulation-*for*-competition which brings much more influence to bear on market participants and these regulatory agencies are “involved in market design and market control to an unprecedented degree” (Jordana and Levi-Faur 2004: 6); and, the regulation of price determination for monopolies such as energy transmission and distribution networks. These regulatory regimes may also include rules for the provision of consumer information, complaint handling mechanisms, dispute resolution procedures, enforcement mechanisms such as the judicial system, standards for public health, and technical standards for safety and reliability.

These institutional ‘supports’ reinforce that markets are not – as is portrayed by mainstream economics – devoid of context, operating as isolated automatons. Not only are markets supported by a range of institutions, each market intersects with multiple other markets which blurs the boundaries of any market. “Markets are embedded in each other” (Aspers 2011: 126). Thus, the structure, functioning and outcomes of a market, can only be revealed by considering the economic and social context in which it is embedded despite its own logics and rules.

Energy provides an example of the complex web of interdependencies and linkages between markets. For example, the electricity sector market is structured around four core markets: generation, transmission, distribution and retail – neither market can function without each other which means that they operate in a co-constitutive manner; in addition, the operation of the generation market also depends on the functioning of markets for fossil and renewable energy fuels; and the functioning of the electricity retail market not only depends on its co-constituent electricity sector markets but is strongly influenced by the organisation and operation of, for example, markets for meters, gas, solar panels, hot water systems, swimming pools, heating and cooling systems, lighting, household appliances, and energy efficiency products services.

Thus, markets are very interdependent and relate in a quite complex co-constitutive manner. As contended by Nelson (2011:1) “the conception that market organisation is the best

mode of economic governance is much simpler and more coherent than the complex and variegated way that economic activity is actually governed”. These interrelationships also pose questions about the cumulative impact of market outcomes and the potential flow-on consequences, like a row of falling dominoes, if one particular market experiences significant disruption.

These interrelationships and interdependencies signal a further significant aspect about markets. Theorising about markets has been concerned with “the *internal* dynamics of a putative market” (Harvey 2010: 4, original emphasis) with an imbalance of attention on consumption. Yet actually-existing markets – through their interrelationships and interdependencies – determine not only consumption but also production and distribution of immeasurable commodities; actually-existing markets are also inextricably linked with markets for labour and finance.

Returning to the example of energy and more specifically the provision of electricity, production decisions are made in the generation market whereas distribution (intermediate consumption) outcomes occur in the transmission and distribution markets, and final end-use consumption is the outcome of the retail market. All four electricity sector markets are tied to finance markets through debt and borrowings, and - for generation and retail markets - with electricity derivatives. Engineers, IT, financial traders, engineers, electrical linesmen, turbine operators, mechanical maintenance technicians, systems operators, ICT specialists, meter installers, meter readers, financial traders, accountants, sales and marketing staff, are a few examples of the labour required within the electricity sector.

Given these dimensions of actually-existing markets, abstract terms or the notions of identical transactions, one homogenous product and a single price cannot explain the operation and outcomes of markets which characterise contemporary capitalism. Markets are not purely about relationships between inanimate objects, between goods and services, which is the strong impression evoked by any mainstream economics text or government publication. Nor are markets simply the intersection of demand and supply functions. Markets are highly interdependent, coordinate production, distribution and consumption decisions, and involve people and their preferences (influenced by opinions, values and advertising). Market prices also will influence people’s accessibility to, and participation in, a market.

How can we understand, and explain the implications and consequences for society given that economists have, until recently, shown little interest in the “emergence and real constitution of markets” (Coriat and Weinstein 2005: 1)? How are actually existing markets organised? What ensures their ongoing functioning? What are their interdependencies with other markets? What issues or barriers do participants encounter when engaging with markets? What outcomes are these markets delivering? How can we empirically analyse markets in order to answer these questions?

The discourse about markets has been overwhelmingly skewed towards the theoretical, “concerned more with analysing how people conceive of market systems than ... with analysing the operation of those systems or the activities of market actors” (Carrier 1997: xiii). Empirical markets have attracted few analytical studies to determine the specific pragmatic manifestation or representation of their structure, operation, participants, behaviours, rules, and/or price determination. Notable exceptions have been French strawberry and fish markets, financial and emission trading markets, Australian markets for essential goods and services, and the UK’s markets for food, housing, water, telecommunications, public transport, financial services and energy (for example, see: Chester 2010, 2013; Garcia-Parpet 2007; Kirman and Vignes 1992; McKenzie 2009; Public Sector Research International Unit 2008).

Similarly, ‘operationalizing’ the theoretical and conceptual into an analytical framework to conduct empirical analyses of actually-existing markets has received limited attention. This paper seeks to address these lacunae rather than provide a contribution to the perennial debate about the role of the market vis-à-vis the state or the limits of market organisation. The outcomes of markets and the impact on society’s well-being need to be understood if that debate is to be

advanced. Moreover, “a clearheaded perception of how different institutions actually work ... from the market to the institutions of the state” (Sen 2009) is needed to establish a credible foundation for the development of options to ameliorate the inequities and disadvantages of market provisioning. Empirical analysis of real-world markets aids the development of those options. It can also inform the development of ‘progressive’ alternative forms of market organisation and operation as advocated by Baker (2011).

This paper presents a methodological basis to conduct detailed empirical analyses of markets to explain their structure, operation, interactions and outcomes. Following this introduction, the next section discusses differing conceptualisations of the market. The neoclassical conceptualisation is examined closely because it is this lexicon which has become embedded in political rhetoric and reflected in public policies leading to radically different provisioning in essential goods and services markets. This has occurred during the hegemony of neoliberalism so the relationship between the two is examined also before considering alternative conceptions from economic sociology and institutionalism.

Within this context, the paper proceeds to review key theoretical contributions to our understanding of the organisation and functioning of markets which encompass a set of propositions about different types of market in space and time, the role of property rights and contract law, the dimensions shaping the organisation of exchange, and the embedded behaviours created by rules reflecting political decisions. To ‘operationalise’ these theoretical propositions, and thus enable concrete empirical analysis, the core essence of each proposition is distilled to reveal twelve distinctive properties of markets. These properties help us transcend from the abstract to the more concrete by foreshadowing an analytical grid of questions to conduct empirical analyses. The list of properties forms a bridge between the key abstract propositions drawn from the discourse and an analytical grid of questions to interrogate actually-existing markets.

How is the market conceptualised?

Neoliberalism and Neoclassical Economics

Since the 1970s mainstream economists and policymakers have increasingly advocated ‘free and unencumbered’ markets as the most efficient method to coordinate the activities of contemporary capitalist economies. Nearly all mainstream economists believe – or at least did until the 2008 admission by former Federal Reserve Chairman Greenspan of a ‘flaw’ – that markets are self-correcting (Skidelsky 2009). Moreover, the notion of perfect markets ‘imprisoned’ the thinking of policymakers being treated as the “fixed element around which policy must be fashioned” (Lindblom 1982: 333) with policy debates framed around the alternatives of a market-state dichotomy and the object of policy becoming one of “efficient market design” (Galbraith 2009: 152). “The government has no role to play ... this is not policy by analysis, this is essentially policy by assumption” (Stern 2010: 263-264).

Government involvement has been increasingly portrayed as detrimental, not beneficial, to efficient market operations as the ideology of neoliberalism has metamorphosed into the “central guiding principle of economic thought and management” (Harvey 2005: 2). Market discipline, competition and commodification denote neoliberalism which has been described as a mix of neoclassical economic fundamentalism, market regulation, redistribution in favour of capital, moral authoritarianism, free trade principles, and total intolerance of trade unionism (Moody 1997: 119-120). Society’s well-being is considered to be best achieved through private property rights, free markets and free trade, and the role of the state is to create an institutional framework which promotes such practices. The market has primacy and virtually all economic and social problems are seen as having a market solution. Nation-states and local-states have

progressively applied the neoliberalism doctrine of market solutions to a widening realm of activity.

The ideology of neoliberalism is underpinned by notions about the free market, market failure, market primacy, and interrelationships of market, state and politics. A free market is avowed because it provides choice for a world of 'free', independent individuals – anything restricting choice is morally bad – and choice entails competition which will generate innovation and efficiency. Market imperfections, or distortions, threaten the most efficient allocation of economic resources and lead to market failure requiring action by the state to restore the primacy of the market, that is, the natural order of things. Finally, because of self-interested politicians and bureaucrats, the scope of the state's activities should be scaled back - through privatisation and deregulation - and policy discretion eliminated (Carrier 1997; Chang 2002).

Chang (2002) argues that these neoliberal notions about the market are so seriously flawed that they create a biased and incomplete understanding of reality. For example, the definition of the free market, and thus state intervention, is fraught with difficulty because (a) the participants, and terms of participation, in all markets is determined by some form of state regulation, and (b) the same action by the state may be considered an intervention by one society but not another, depending on the legitimacy and hierarchy of the underlying rights-obligations structure for market participants. The definition of market failure is similarly fraught, in Chang's view, because the notion of failure only makes sense in relation to what is considered to be an 'ideal' market.

The views of neoclassical economics about the market, and its relationship with the state, are in close harmony with those of neoliberalism. Neoclassical economics presents the market as an abstract aggregate of individual choices and actions exemplified by the simple intersection of demand and supply curves, as “an allocating machine that solves the main problems of ... what to produce, how, and for whom” (Mantzavinos 2001: 162). This paradigm, which dominates mainstream economics, was criticised by the 1991 Bank of Sweden Prize in Economic Sciences recipient for its increasing abstraction of analysis and preoccupation with price determination resulting in study of “a system that lives in the minds of economists but not on earth ... The firm and market appear by name but they lack any substance” (Coase 1992: 714). Many others have voiced similar criticisms. For example, Keen (2001) and Lee and Keen (2004) have systematically demonstrated the theoretical incoherence of the tools and models of neoclassical microeconomic theory. Nevertheless, neoclassical economics has successfully shaped

the general understanding of what a “market”, a “market economy”, and even an “economy” in general is, or should be ... and, thus, a *general theoretical and normative reference and benchmark* for economic analysis, economic systems and policies ... While the “market” is an *ambiguous positive-normative ideal*, it nevertheless is considered not only an adequate reflection of the capitalist-market reality but also serves as a sound policy guideline for its reform (Elsner 2008: 370, original emphasis)

But what does neoclassical economics tell us about the perfectly competitive market, the lexicon and logic of which now directly shape a vast array of public policies? First, the perfectly competitive market assumes that products are optimally allocated in a perfectly informed, atomistic world. Second, the market is attributed self-equilibrating properties because it is assumed to clear automatically via price adjustments, that is, prices respond to changes in demand or supply, finding equilibrium at the price at which the quantity supplied equals the quantity demanded. Accordingly, these oscillations underpin a systemic stability across markets for all goods and services and ensure an optimal allocation of resources between competing needs. Yet this self-equilibrating nature of the market rests on numerous assumptions such as identical consumers behaving rationally because they are perfectly informed about all the available alternatives, zero transaction costs, no trading at disequilibrium prices, and infinitely rapid velocities of prices and quantities (Blaug 2002: 40-41). It is also assumed that communication between market participants is solely through price signals, market participants

are anonymous, interaction in the market is horizontal, virtually all transactions are commensurable, all goods are non-collective and the market is not place sensitive (Crouch 2005: 115).

These assumptions mean that optimal market equilibrium can only be achieved if multiple conditions are fulfilled such as: numerous traders so that no one can exert market power; a finite number of goods and there is common knowledge about their quality; no public goods or externalities in consumption or production; returns to scale do not increase; equity issues are completely separate from the objective of efficiency; and, the preferences of buyers and sellers are convex, that is, the marginal utility of any good and the marginal productivity of a factor must be declining concurrently (Boyer 1997: 72-74). Thus, multiple and quite precise conditions are necessary to guarantee optimal market equilibrium.

This paradigm maintains that the market should be left unfettered, as does neoliberalism, from state interventions to ensure its efficient workings are allowed to determine output and price. Free, competitive markets allocate resources and distribute income most efficiently, it is argued, because they will tend towards a (Pareto) optimal situation which occurs when no change can improve the position of one individual (as judged by herself) without a negative impact on the position of another individual (as judged by that individual).

However, six sources of market ‘failure’ which threaten the achievement of Pareto efficiency are deemed to warrant government action: the existence of market power; a failure to supply public goods such as defense or national security; negative externalities of production or consumption such as pollution; markets which provide incomplete goods and services (for example, insurance); imperfect information to consumers (for example, weather forecasts); and, “macroeconomic disturbances” like high levels of unemployment or inflation (Stiglitz 2000: 76-90).¹ It is only these types of market ‘failure’ – which jeopardise the holy grail of economic efficiency – that justify any government intervention for mainstream economics.² The imposition of economic incentives to create the ‘correct price’ and reduce the negative externalities of market failure, such as environmental problems, will lead to some optimum market outcome. This typifies the neoclassical policy approach.

The neoclassical conception of the market, and its reality-incompatible assumptions, provides little insight for empirical analysis of actually-existing markets, including those transformed by public policies embedded with its lexicon. Neoclassical economics assumes a form of market organisation – pure competition, duopoly, oligopoly, or monopoly – and then determines output, price and cost outcomes within the assumed context (Sherman, Hunt *et al* 2008). This abstraction from reality is the antithesis of what we are seeking.

Alternative Conceptions of the Market

Many from the economics discipline have roundly challenged the neoclassical conception of the market (for example, see: Akerlof 1984; Blaug 2002; Grossman and Stiglitz 1980; Härdle and Kirman 1995; Nelson 2005; Simon 1991; Stiglitz 1987). This dissatisfaction accounts for some notable extensions to mainstream thinking (for example, see: Coase 1998; North 1990; Simon 1992; Williamson 1975). A burgeoning discourse has also developed that demonstrates real-world markets do not emerge in some vacuum, are persistently vulnerable to failure, influence the nature and relationships of individuals, reflect socially habituated behaviour, and their operation depends on highly complex non-market institutional arrangements into which they are deeply embedded (for example, see: Altvater 1993; Boyer 1997; Coriat and Weinstein 2005; Hodgson 1988; Martinez 2009; Peck and Theodore 2007; Prasch 2008; Tsakalotos 2004). In addition, Polanyi (2001) contends that self-regulating market mechanisms cannot coordinate fictitious commodities (for example, money, labour, the environment) because their supply is not in response to changing relative prices.

These shortcomings of the neoclassical ‘markets’ view have been claimed as a stimulus for economic sociology, a major contributor to the discourse about markets (Allaire 2009; Fligstein 1996; Zelizer 1988). Economic sociology conceptualises markets as arenas of social interaction, a form of action (exchange) embedded in social relations which cannot exist without rules to regulate exchange. Economic life is embedded in social relations and social structure, and therefore cannot be analysed as separate, distinct or isolated from social worlds (Granovetter 1985). Property rights, governance structures, conceptions of control, and rules of exchange are considered the institutions – the preconditions – for markets to exist (Fligstein 1996). Others have stressed the importance of networks, observed behaviour and population ecology to the social structures exerting control over the market (Granovetter 1985; Hannan and Freeman 1986; White 1981).

Sociologists have conducted detailed analyses of the actual creation and functioning of markets, especially financial markets, which have debunked neoclassical economic notions of markets being atomistic and anonymous, showing instead a range of behavioural rules, relationships, and skills required for participation (for example, see: Callon 1998; Callon, Millo and Muniesa 2007; Granovetter and McGuire 1998; MacKenzie 2007a, 2009; MacKenzie, Muniesa and Siu 2007; Yakubovich, Granovetter and McGuire 2005).

Generally, although it is by far a unified whole, this body of work situates the market as one of a multiplicity of formal and informal institutions comprising capitalism. “All institutions, including the market ... are defined in relation to the structure of the rights and obligations of the relevant actors” (Chang 2007: 7) which in the case of the market includes the institutional arrangements that determine and/or regulate market participants, and the objects and process of market exchange. As these ‘rights and obligations’ are deemed to be the result of politics, the market – like all institutions – is considered to be a political construct. Property rights, and the entitlements bestowed on market participants are not free of politics, along with numerous state actions to ‘protect’ market participants. Far from being natural, “markets are the fruit of complex social and historical developments” (Coriat and Weinstein 2005: 1) with politics, and thus the state, being integral to their creation and functioning. This view of the market assigns a far more active role to the state. Market outcomes result from a myriad of institutional arrangements and processes all of which are influenced by the state and politics.

Theoretical Foundations for the Empirical Analysis of Markets

An analytical framework is inferred by Fligstein’s (1996) list of market pre-conditions – property rights, governance structures, conceptions of control, and rules of exchange. Zelizer (1994) suggests empirical analysis is about concrete spaces, commodities being heterogeneous in time and space, money having many social uses, and the convergence of divergent interests overcoming the anonymity of market participants. For Coriat and Weinstein (2005: 2) “a market should be analysed like any institution: it is necessary to study the conditions in which it emerges, is stabilised and transformed and possibly goes into crisis”. These all signal possible starting points but each requires the theoretical to be ‘operationalised’ for empirical application to be possible.

This task of operationalisation is assisted by four contributions to the discourse: Boyer’s (1997) typology of market types; Prash’s (2008) legal institutional framework of the exchange process irrespective of market type; Harvey and Randles’ (2002) dimensions of the actual exchange process; and, Tjardman’s (1998, 2004) more concretised form of market processes of organisation and exchange. The conjunction of these insights, rather than each individual contribution per se, allows us to move from the abstract to the concrete, that is, these insights provide building blocks to progress from the theoretical to a framework for empirical analysis.

Using the space and time horizon in which a market occurs, Boyer (1997: 62-66) distinguishes six different types of markets. First, markets may be periodic and/or peripatetic, presenting an embryonic form of those common to contemporary capitalist economies. These markets are authorised to occur at a specific time and location, may be wholesale or retail, and the scope of transactions is limited. A second type of market occurs as a temporary ‘screening’ device to procure the least costly or most ‘economically advantageous’ of proposals. The usual outcomes of this market are bilateral commercial contracts to supply specified goods or services by a particular time and for particular prices. This market type relies on commercial contracts and thus, cannot function without a legal system. An aggregation over a geographical area or for one commodity creates a third market type: for example, the European Union single market. This market form does not hold a physical form or locale and may refer to the demand for a particular good, sector or “the economywide [sic] level, implying the equivalent of effective aggregate demand” (Boyer 1997: 64).

Neoclassical economics provides a fourth market type as an abstraction to make compatible a series of ‘individual supplies and demands’ which adjust and converge to a unique, equilibrium price to clear the market. The market is conceived as a process of rational, impersonal, discrete transactions between buyers and sellers. Boyer’s fifth market type extends this abstraction to characterise an economic system dominated by market competition and a set of interdependent markets. Thus, anything that extends aspects of the market to non-market transactions is perceived as ‘good’ whereas anything that departs from the market model is the converse (Carrier 1997: 19). Finally, there is the metaphoric type assumed to exist whenever social actors compete for limited resources, positions or status such as that applied by the Chicago school of economics to the social issues of marriage, crime, donations to religious orders, justice and eternal life beliefs.

Location and time differentiate Boyer’s six market types. But the nature of these different types also directly point to aspects about the structure and functioning of markets which signal a ‘bridge’ to empirical analysis. We can derive from the Boyer typology that markets involve repetitive – not single - transactions of commodities, there must be some form of regularity to market organisation, a monetary system is required by markets to convey nominal prices and pay for transactions, and a legal regime must have the capacity to enforce commercial contracts. This latter aspect has been a specific focus for Prasch (1995, 2008).

The analytical key, for Prasch (2008), to understanding market relations lies in the evolving system of property rights and contract law which are the ‘foundational institutional structures’ of increasingly complex markets. A market is the organisation of exchanges between transactors, a locus of repeated exchanges. Exchange is the fundamental event to take place in a market and is of “some object, promise, service or privilege” (Prasch 2008: 14). But, and this is pivotal for Prasch, not just anything can be exchanged. Before exchange can occur, one’s ownership of (or legal authority over) whatever is to be sold must be established. In addition, each party to an exchange must be deemed able or competent to undertake the exchange although who is deemed a legitimate owner of property has changed over time.

Thus property ownership – and the right to exchange that property - is not simply about the relationship between “a person and a thing” but “an *artifact* of a complex set of social relations” (Prasch 2008: 14, emphasis added). Property ownership and exchange is subject to rules and law which reflect prevailing norms, values and technology. The law has almost universally recognised a relationship to property where there is no encumbrance to disposal, that is, there is an exclusive right to control of the property which can be legitimately supported by the state’s police powers. In addition, the rules or conditions of exchanging (selling) property are governed by contract law. Implicit contracts, which encompass many day-to-day activities, are not negotiated or in writing with ‘completion’ usually marked by a receipt. On the other hand, explicit contracts – for purchases like housing or other high cost transactions – can be quite complex documents with the negotiated terms, of a pending exchange, stipulated and, in the

event of a disagreement, contract law drawing on precedent and conventional practice will resolve the matter.

Although a highly generalised synthesis of Prasch's thesis, the significance of this contribution comes from the proposition that the structure and functioning of a real world market is based on an evolving but longstanding system of legally defined rights, property law and contract law. This means that exchange, the fundamental event in a market, is subject to the prevailing legal regime as it applies to property and contracts. The right to exchange - and conditions about the exchange transaction - are embedded within implicit and explicit contracts i.e. market exchanges cannot occur without property rights and a legal regime.

Harvey and Randles (2002) extend this understanding about the exchange transaction established by Prasch. They posit that the organisation of economic exchange, both market and non-market in modern capitalist economies, is framed – and thus can be discerned - through two dimensions. The first dimension is the institution of the exchange process, irrespective of the commodity exchanged, which is evident by considering the formation and differentiation of economic agents (that is, buyers and sellers) in relation to the actual exchange process. The second dimension concerns the differences in the specificities of exchange processes for any given organisation of exchange. This dimension is represented by the parties to the exchange process, the commodities exchanged, and the spatial and temporal nature of the exchange. These dimensions of the exchange process introduce a different level of specificity and thus, start to reveal different complexities embodied in the exchange process; for example, the criteria used to determine who may be a buyer or seller, or the multiple dimensions of any exchange process which distinguish it from others.

Tjordman (1998, 2004) develops a more concrete form of these two exchange dimensions while also extending key aspects from Boyer (1997) of repetitive transactions, regularity to market organization, and a monetary system to facilitate transactions. Tjordman (2004: 20) “envison[s] markets as institutions, i.e. sets of rules and codes of different nature organizing repeated monetary exchanges”. To uncover the domain of markets, and understand their functioning as well as how they shape society, she delineates the rules which define the objects of exchange, identify market participants, and establish the market processes for exchange to take place.

Tjordman (2004) denotes those rules determining the principles of exchange (for example, the nature of the good exchanged, who are market participants) as ‘constitutive’ and those rules which implement exchange principles as ‘procedural’. These categories also respectively contain transaction and information rules. If a market is a locus of repeated economic exchanges (posited by Boyer and Prasch) governed by property rights and law (posited by Prasch), this suggests to Tjordman that some kind of formal structures and sets of rules exist which bring together buyer-seller interactions and influence these exchanges, that is, rules governing transactions. It also suggests to her some conventions enabling sellers to propose a price and buyers to accept or negotiate another, that is, rules about the provision of information. The *conjunctive operation* of transaction and information rules induces a behavioral pattern which facilitates the continuity of a market's operation (posited by Boyer).

Tjordman argues that transaction rules organise the *interaction* of buyers and sellers. In a decentralized (local) market, bilateral exchange occurs. Participants engage directly with each other and usually negotiate a price. On the other hand, there is no such direct interaction in a centralised market where an institution collects buy-and-sell orders, and determines the price until demand equals supply. Transaction rules also determine who is eligible to participate as buyers and sellers, reflect political decisions and are enforced directly through complex regulatory regimes, competition policies and trade practices legislation.³ Eligibility for market participation is not decided by the individual. Specific behaviours may be prohibited by transaction rules. For example, buyers may not be permitted to be sellers concurrently to reduce

the potential for collusion, insider trading, and speculation leading to ‘manipulated’ not market-driven transaction volumes and prices.

Tjordman’s ‘information rules’ similarly influence the organisation and operation of exchange within a market. Product guarantees, labels, standards, credit ratings, qualifications and other types of information all convey details about the quality of product and reduce the extent of uncertainty about its quality. As Akerlof (1971) demonstrated, if the quality of a good is uncertain, incomplete information leads to poor selection and could result in market failure. Thus, information about commodity quality improves market functioning but will depend upon what information is available to whom and when.

In sum, Tjordman demonstrates that rules establishing market participation eligibility, the form of interaction among participants, information about product quality, as well as the property rights regime which defines what may be exchanged, induce behavioural responses to facilitate the operation of a market and its continuity.

These contributions - from Boyer, Prasch, Harvey and Randles, and Tjordman - to our understanding of the organisation and functioning of markets encompass a set of propositions about different types of market in space and time, the role of property rights and contract law, the dimensions shaping the organisation of exchange, and the embedded behaviours created by rules reflecting political decision. Moreover, these propositions can be distilled to their core essence which illuminates twelve distinctive properties of markets. Ranging from the relatively simple to the more complex, and not necessarily mutually exclusive, these properties are:

1. A market is a location where buyers and sellers interact.
2. A market may be a physical location but does not need to be as evidenced by eBay, an internet auction, and online payment for goods and services.
3. Goods may be bought and sold on local, regional, national or global markets.
4. A market requires a monetary system to facilitate transactions and convey prices.
5. Markets may be for intermediate or final goods.
6. The fundamental event in a market is exchange - of some object, promise, service or privilege.
7. A market is a locus of repeated exchanges.
8. A legal system of property rights determines what may be exchanged in a market.
9. Implicit or explicit contracts govern the conditions under which property is exchanged.
10. Rules about transactions organise how buyers and sellers interact, and who may be a buyer and a seller.
11. Rules about the provision of information (including about the quality of the good) enable sellers to propose a price and enable buyers to accept or negotiate another.
12. Organised behaviour, induced by transaction and information rules, provides continuity to a market’s operation.

An Analytical Framework to Interrogate Actually-Existing Markets

The distillation to twelve distinctive properties foreshadow a far more extensive and concrete expression of Tjordman’s (2004) ‘agenda of questions’ which will enable us to transcend abstract notions about the market to their actualisation if the object is to conduct empirical analyses of actually-existing markets. The questions that we can pose from the twelve distinctive properties of markets can be categorised according to: the process of exchange, the commodity traded in the market, market location, market participants, eligibility to market access, market behaviour, price determination, the form of competition, market information, market linkages and interdependencies, institutional supports, and the role of the state (Table 1).

TABLE 1: CATEGORIES OF ANALYTICAL QUESTIONS

CATEGORY	ANALYTICAL QUESTIONS
EXCHANGE	Does the market coordinate production, distribution or consumption decisions and outcomes?
COMMODITY	What is the commodity bought and sold? How are these goods or services defined? To what extent has the definition changed or is evolving?
MARKET LOCATION	How, and where, are market transactions performed? Must participants meet any obligations or criteria to perform market transactions? Is there a physical or virtual market location and how is this organised? Is the sphere of interaction local or global?
ELIGIBILITY TO MARKET ACCESS	What are the 'rules' or protocols which determine eligibility or ineligibility for ongoing access to a market? Are there legal and political decisions, or compromises, which determine who participates? What must a participant do to meet eligibility criteria and maintain ongoing market access?
MARKET PARTICIPANTS	Who are the market participants (individuals, households, firms, groups, organisations, the state)? Who transacts with whom? Are intermediaries involved and if so, who are they?
MARKET BEHAVIOUR	What forms of interaction take place between buyers and sellers, and other market participants? Are particular behaviours forbidden? Are there implicit rules influencing the behaviour of market participants? Are penalties imposed for breaches of market behaviour and who enforces?
FORM OF COMPETITION	What is the market's form of competition? How many traders are there in the market? What is the ownership structure in the market? Is there evidence of market concentration? Is there evidence of market power?
PRICE DETERMINATION	How is price determined? Are prices set outside or within the market? If it is a price-setting market, does this lead to different bilateral prices?
INFORMATION	What information is available to whom? Where is it available? What technology and skills are needed to access or process market information? What is the impact on market participation if information access is precluded in some way?
MARKET LINKAGES & INTERDEPENDENCIES	What are the interrelationships with other markets? Are these relationships co-constitutive? How are these relationships organised? What are the implications of these linkages in terms of market operation, market participation and market outcomes?
INSTITUTIONAL	What are the institutions, organisations, legislation or associations

CATEGORY	ANALYTICAL QUESTIONS
SUPPORTS	that organise the functioning of the market? What are their responsibilities? How do they enforce market operations? To what or who are they accountable?
THE STATE	What is the role of the state in terms of, but not limited to, the market's organisation and operation, and determining the eligibility of participants?

A cogent analytical grid is formed by these questions which can be used to interrogate the structure, operation, participants, behaviours, rules, price setting and more of a market and thus generate a substantive, realistic picture of actually existing markets. These questions are far more penetrating than neoclassical economic analysis which assumes a form of market organisation (pure competition, duopoly, oligopoly, or monopoly) and then analyses output, price and cost outcomes within this context (Gould 1980).

These questions are also far more penetrating than the schema suggested by Aspers (2011: 173) for a sociological analysis of markets. This schema is founded on three 'prerequisites' of: the nature of a market, its institutional foundations and price setting. Although there are some points of commonality, such as price determination, the schema is very general and will not yield the same depth of findings about the institutional underpinnings, behavioural influences, market operation, availability and accessibility of information, forms of interaction between participants, or market interdependencies.

Concluding Comments

More and more reliance has been placed on markets by governments to solve an increasing range of issues notwithstanding the questioning by some mainstream theorists of the proclaimed efficiency of markets. Yet neoclassical economics has very successfully portrayed the normative ideal of the market, framed around a set of abstract assumptions, as synonymous with the economy and capitalism. Moreover, this normative ideal of the perfectly competitive market has become embedded in public policies, transforming markets which have traditionally been the domain of state provisioning and which determine, to a large extent, the well-being of society.

Although markets are not the only institutional arrangement for organising economic and social life, we need to understand the market's contribution to society's well-being to inform the debate about the relative merits of different forms of provisioning. That understanding must be grounded in robust empirical analysis of the outcomes of actually-existing markets. Market outcomes reflect the organisation and functioning of those markets. The normative ideal of neoclassical economics cannot elucidate the organisation, functioning, outcomes and implications of real world markets.

The market is a physical or virtual location for repeated exchanges between buyers and sellers, which may involve intermediate or final goods, may be local or global and which is underpinned by property rights, implicit or explicit contracts, rules about transactions and information creating organised behaviour and continuity of operation. It is these distinctive properties of markets which signal a set of questions which must be addressed if the objective is a realistic understanding of the organisation, functioning and outcomes of actually existing markets.

The analytical framework posited explicitly recognises the different types of markets that can be discerned, the relationship to property rights, and the dimensions and behaviours shaping the organisation of exchange. A distillation of these key propositions to their core essence

establishes the fundamental properties of markets which enable progression from the abstract to the concrete because they indicate a cogent set of questions to frame and guide a cogent empirical analysis. The list of market properties ‘operationalises’ abstract propositions into a pragmatic analytical framework.

Boyer (1997: 70) has argued that the organisation of a capitalist economies, which attribute a leading role to “competitive” markets, can only be explained by ascertaining: the institutions, legislation, or interactions that organise the functioning of various markets; the series of commodities for which the supply and demand of is heavily determined by market institutions, including regulation by the state; and the forms of competition according to the number of traders, ownership distribution, market power, and the mechanisms to resolve capacity issues or structural changes. These are indeed important ‘keys’ to understanding and explaining the *existence* and *operation* of markets in a capitalist economy. But to understand the impact on society’s well-being, it is necessary to go to a further level of disaggregation to consider also the *interactions* and *outcomes* of actually existing markets. To understand the relationship to, and impact on, society’s well-being, market interactions and outcomes will be significant contributors. We cannot limit the analysis to a market’s internal dynamics; market outcomes and interdependencies need also be included in the analysis.

The market is such a complex institution that it cannot be distilled or equated to the sum of bilateral relationships as does neoclassical economics. A market’s ‘constitution’, functioning and impact on society’s well-being can only be understood within the context of its empirical complexity as well as by reference to other markets given the diversity and specificities of each. The analytical framework posited in this article contributes a basis to do that and may, as a result, help shift the debate, advocated by Lane (1991) nearly two decades ago, from the relative merits of markets and states to one whose axis is the *contribution* of market provisioning to well-being and human development.

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Notes

¹ Stiglitz (2000: 87) also argues that even if Pareto efficiency is achieved, government intervention may be warranted to achieve greater equality of income distribution and/or if the government "knows what is in the best interests of individuals".

² Medema (2009) provides a detailed account of the dominant economic discourse, from the mid-nineteenth century to the late twentieth century, about the theory of market failure and government intervention.

³ Commons (2007) explicitly recognized the political nature of transaction rules, and the role of the state in the process of exchange, in his 1924 publication *Legal Foundations of Capitalism*.