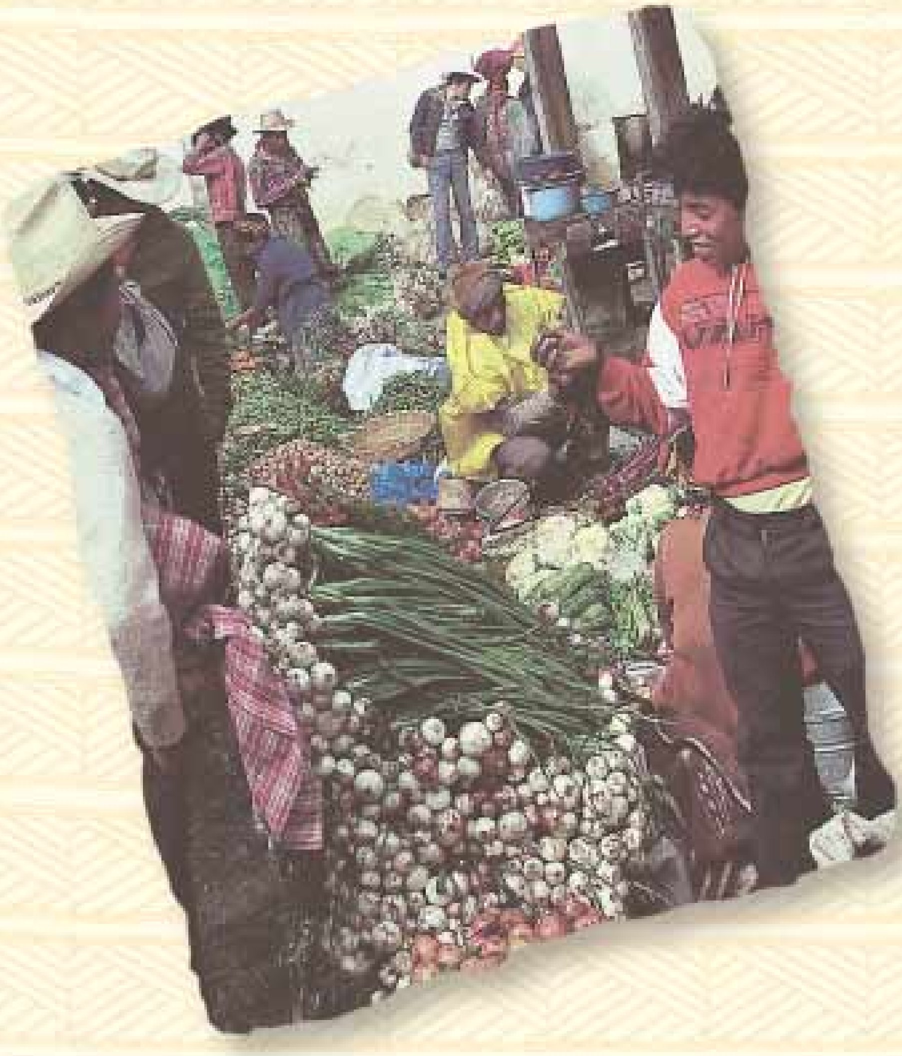


Chapter 6

Exchange and Economic Systems

Contents

The exchange of products is part of the economic system. Market sale, illustrated here in Guatemala, is one of several forms of exchange.

The previous chapter covered the major types of pre-industrial adaptations and discussed some of the important ways adaptation affects cultures. How people produce the food and other products they need and desire is part of what is commonly called their *economic system.* Producing things, though, is usually only the first step toward the final use (consumption) of the product. Commonly, products are *exchanged* between individuals and groups between the time they are produced and consumed. In fact, in some economic systems, things are produced explicitly for exchange, and once the value acquired from the exchange has been gained, the producer has little further interest in the product.

Although generalized reciprocity is an exchange form that occurs between some people in all societies, among many foragers it is the dominant mode. This !Kung man butchers a small animal, which he will share with others in the camp.

Depending on other aspects of their adaptation and overall culture, different societies organize the exchange of products (goods) in different ways. Economic anthropologists, who specialize in the comparative study of economic systems, often classify exchanges into three major modes, or types:

- **Reciprocity,** in which two individuals or groups pass goods back and forth, with the aim of (1) helping someone in need by sharing goods with him or her, (2) creating, maintaining, or strengthening social relationships, or (3) obtaining goods for oneself.
- **Redistribution,** in which the members of an organized group contribute goods or money into a common pool or fund; a central authority usually has the privilege and responsibility to make decisions about how the goods or money later will be reallocated among the group as a whole.
- **Market,** in which goods are sold for money, which in turn is used to purchase other goods, with the ultimate goal of acquiring more money and accumulating more goods.

Although most products change hands through the market mode in modern industrial capitalist economies, enormous quantities of goods also are transacted through reciprocity and redistribution. Examples of reciprocity are various gifts we give and receive on holidays, birthdays, weddings, baby showers, and other culturally special occasions. If you are employed, every pay period you participate in redistribution, for federal, state, and city governments collect a portion of your wage or salary as taxes, which they expend on public purposes or transfer to other members of society. Although all these exchange forms exist in modern societies, not all pre-industrial cultures have all three. Some kind of reciprocity occurs in all human populations. But redistribution implies the existence of a central authority to organize the collection of products from the group and to make decisions about how they will be reallocated. Redistribution, therefore, is an insignificant exchange mode in societies that lack strong leaders who make decisions on behalf of the group. The market mode of exchange requires money, private property, and certain other features that are absent in many preindustrial populations. The concept review shows the three exchange forms graphically.

Reciprocity

Reciprocity refers to the giving and taking of objects without the use of money or other media of exchange. It can take the form of sharing, hospitality, gift giving, or barter. To cover these varieties, anthropologists identify three forms of reciprocity.

Generalized Reciprocity

The defining feature of **generalized reciprocity** is that those who give do not expect the recipient to make a return at any definite time in the future. Generalized reciprocity occurs between individuals who are (or are culturally expected to be) emotionally attached to one another and, therefore, have an obligation to help one another on the basis of relative need. In North America, parents who provide their children with shelter, food, vehicles, college educations, and interest-free loans are practicing generalized reciprocity. Giving without expectation of quick and equivalent return also should occur between parties to certain other kinds of social relations, such as wives and husbands, siblings, and sometimes close friends.

This exchange mode occurs in all human populations. Among some peoples it is the dominant form of exchange, meaning that more goods are passed around using this form than any other. For example, most foragers expect band mates to share food and be generous with their possessions. (This fits with the fact that most members of a small hunting and gathering band are relatives of some kind.) Among the !Kung (see Chapter 5), the band or camp itself is a social group within which food sharing is culturally expected, and those who are stingy with possessions or who fail to share food with band mates are subjected to ridicule (or worse). Broadly speaking, generalized reciprocity is the dominant mode of exchange in very small human groups in which all or most members are relatives.

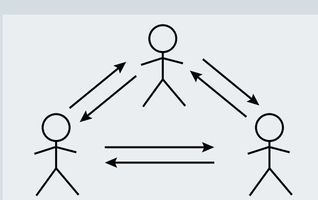
Balanced Reciprocity

In **balanced reciprocity,** products are transferred to someone and the donor expects a return in products of roughly equal value (i.e., the exchanges should "balance"). The return may be expected immediately, or whenever the donor demands it, or by some specified time in the future. With generalized reciprocity, the giver continues to provide

Concept Review **Three Forms of Exchange in Economic Systems**

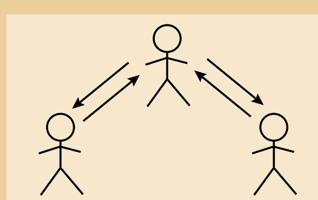
Reciprocity

back and forth exchange of products, gifts, and objects, symbolic of relationships as well as satisfying material needs and wants



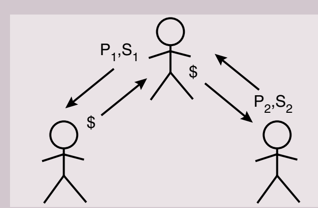
Redistribution

collection of products and valuables by a central authority, followed by distribution according to some normative or legal principle



Market

free exchange of products (P_1, P_2) or services (S_1, S_2) for money($) at prices determined by impersonal forces of supply and demand



material assistance even though the receiver is unable to return anything for a long time. With balanced reciprocity, the giver refuses to continue to transfer objects to the receiver if the latter does not reciprocate within the appropriate time period. Donors may merely be angry if the receivers fail to reciprocate, may complain or gossip to others, may try to force reciprocation, or may suspend all relations until objects of equal value are returned.

Although the value of the objects exchanged is supposed to be equal (at least roughly), balanced reciprocity is characterized by the absence of bargaining between the parties. In some pre-industrial economies, the exchange of goods without having to negotiate for each transaction (How much of A will you give me for my B?) frequently is organized by a special relationship between two individuals known as a *trade partnership.* Individuals of one tribe or village pair off with specific individuals (their "partners") from other regions with whom they establish long-lasting trade relationships.

For instance, in the Trobriand Islands off the eastern tip of the island of New Guinea there was a form of balanced reciprocity called *wasi.* Residents of coastal villages traded fish for yams and other garden crops produced in the mountainous interior. The *wasi* exchange was formalized: a coastal village paired off with an interior village, and within each village individuals formed trade partnerships. The rates at which garden produce was exchanged for fish were established by custom, so there was no haggling at any particular transaction.

In *wasi*, each trade partner received foods not readily available locally, so parties to the transaction gained a material benefit. In many other cases, balanced reciprocity takes the form of mutual exchanges of gifts or invitations for social and political purposes. That is, the exchange is not motivated primarily by the desire of the parties for the objects (unlike *wasi*) but by their desire to establish and maintain good relations with one another. (On your friend's birthday, instead of giving her a CD in exchange for a gift of about equal value on your own birthday, you both could save the cost of wrapping paper and cards by buying the objects for yourselves. But then the social value of the gift—expressing and strengthening your friendly relationship—would not be attained.)

We all are familiar with the anger or disappointment felt at not having our gifts or invitations reciprocated. Many of us also know the embarrassment of being unable to return a

Balanced reciprocity often is used to create and sustain relationships between groups and individuals. Reciprocal invitations to feasts is one common form of balanced reciprocity, as illustrated by this killing of a pig on the island of Tanna in the nation of Vanuatu.

gift of equal value to a gift we have received. We also are familiar with the use of gift giving for social and political goals. We know that friends make gifts to one another because giving a gift to someone re-creates and strengthens feelings of goodwill. Gifts are a material symbol of good relations. They sustain relations of friendship and mutual aid between individuals and groups. This is why, cross-culturally, gift-giving ceremonies frequently are part of diplomacy and peacemaking between formerly hostile groups; the gifts symbolize the beginning of a new period of peaceful co-existence.

In our personal lives, too, the back-and-forth flow of tangible objects often symbolizes warm personal feelings about a relationship—perhaps better than words, since "talk is cheap." The failure to present objects of appropriate value on certain occasions also symbolizes one's personal feelings, although in a less "warm" way.

But gifts not only express with material symbols existing social relations; they can also be used to create social bonds that are useful to the giver, and to obligate people from whom the giver wants something. Gift giving makes someone indebted to you, and therefore can be used to create an obligation to return a favor. Political lobbyists and sales representatives know this use of balanced reciprocity.

For a pre-industrial example of how balanced reciprocity helps to create and sustain political alliances, we turn to the Maring of highland Papua New Guinea. These people live by a combination of shifting cultivation, pig keeping, and hunting. Each Maring settlement is engaged in periodic warfare with some of its neighbors. Unless a settlement is unusually large, its members form a political alliance with one or more nearby settlements. When warfare occurs, the warriors of each settlement rely on their allies for military support and, in the case of defeat, for refuge. Most Maring settlements must establish and sustain military alliances if they are not to be defeated in warfare.

An important expression of continued goodwill between allied groups is periodic invitations to feasts and exchanges of wealth objects and other valuables. Every few years, whenever they accumulate sufficient pigs, the members of a settlement invite their allies to an enormous feast, appropriately called a *pig feast.* At the pig feast, which is attended by hundreds of people, allies bring large quantities of wealth objects to exchange and pay off debts; they consume enormous quantities of pork provided by their hosts; they are on the lookout for potential spouses and sexual partners; and they aid the host community in the ceremonial dancing that the Maring believe is ritually necessary for success in the fighting that will soon occur. The host group uses the occasion of their pig feast to gauge the amount of military support they can expect from their allies: the more people who attend the feast, the more warriors the host settlement will be able to put on the battleground. Later, the guests will have accumulated enough pigs to reciprocate by hosting a pig feast for their allies, who come with wealth objects and pledge their military support by helping the host group in their ceremonial dancing.

The Maring pig feast, with its reciprocal exchanges between the hosts and guests from allied groups, is an important event in maintaining good relations between allies. A group sponsors a pig feast to compensate their allies for their previous military aid as well as to reciprocate previous pig feasts they have attended. The failure to organize a pig feast large enough to compensate one's allies can result in the weakening and sometimes even termination of an alliance. Thus, balanced invitations to feasts are critical to the military success and continued survival of a Maring community.

Negative Reciprocity

The distinguishing characteristic of the third kind of reciprocity—known as **negative reciprocity**—is that both parties attempt to gain all they can from the exchange while giving up as little as possible. Negative reciprocity usually is motivated largely by the desire to obtain material goods at minimal cost.

Insofar as it is motivated by the desire for material products, negative reciprocity is like market exchange; it is different mainly because no money changes hands between the participants. In economies that use money to purchase goods and services, market exchange partly or largely replaces negative reciprocity.

But in economies with no money, negative reciprocity is an important way for individuals and groups to acquire things that they do not produce themselves. Few populations are entirely self-sufficient: Some foods they like to eat do not occur in their habitats; some materials they need to make tools are not found locally; or they lack the skill to produce some of the objects they use. To acquire these products, people produce other products to exchange for "imports."

Negative reciprocity in the pre-industrial world often takes the form of barter. In the interior highlands of Papua New Guinea, many indigenous peoples manufactured money or wealth objects by stringing shells together into long chains or belts. Because these shells did not occur naturally in the interior, they were traded from people to people until they reached their final destination. Salt also was a trade object because it occurred in only a few areas.

In western North America, the obsidian (volcanic glass) used to make stone tools occurred in only a few areas; other peoples acquired it through trade. In some cases these trade routes stretched for hundreds of miles, with the obsidian passing through the hands of numerous middlemen before finally being made into a tool.

Reciprocity and Social Distance

Each of the three types of reciprocity tends to be associated with certain kinds of social relationships. As Marshall Sahlins, who first distinguished the three varieties, noted, the kind of reciprocity that occurs between individuals or groups depends on the **social distance** between them. By *social distance* is meant the degree to which cultural norms specify they should be intimate with or emotionally attached to one another.

This is seen clearly in North American cultural norms of reciprocity. We expect an individual to practice generalized reciprocity with his or her children and perhaps with siblings and elderly parents; in fact, we are likely to judge people as uncaring or selfish if they do not. But if a middle-income person repeatedly lends money to a cousin or puts a niece through college, we are likely to regard him or her as either unusually generous or a bit foolish. He or she has extended generalized reciprocity beyond the range of relatives to whom we culturally consider it appropriate.

A normative association between exchange form and social relationship applies to market transactions, which, as we have seen, have largely replaced negative reciprocity in modern societies. In market exchange, individuals are supposed to be "looking out for their own private interests," "trying to get the most for their money," and so forth. We regard this as fine—in fact, as smart shopping—with transactions between strangers in a department store or car lot. But when the seller and buyer are friends or relatives, it is difficult for them to disentangle their economic transaction from their personal feelings for each other. Kinship and friendship bonds cannot easily be mixed with market exchange, because kinship and friendship are supposed to have an element of selflessness, whereas buying and selling are assumed to have selfish motives. Therefore, although I may buy my friend's used car, I feel uneasy about the transaction: What will I do if the car is a lemon?

Further, as our social relations with other people change, so does the kind of reciprocity we practice with them. Most adults have experienced one way in which this occurs: as we grow up, our increasing independence from our parents is manifested by a change in the way we exchange goods with them. We go from being the recipients of generalized reciprocity to more of a balanced reciprocity as we become more independent, and finally—at least until the advent of Social Security—to being the provider of generalized reciprocity.

Finally, changing one form of reciprocity into another can be used as a way of changing the nature of a social relationship. Because the form of reciprocity practiced between two individuals is related to the degree of social distance between them, the social distance can be decreased or increased by one party beginning to initiate a new form of exchange. Or someone can signal his or her wish to draw another person closer (reduce the social distance between them) by tentatively initiating a relationship of balanced reciprocity. Reciprocity has social uses in our culture, just as it has among pre-industrial peoples such as the Maring.

Thus, I can let you know of my desire to become your friend by giving you an unexpected gift or invitation to dinner. In turn, you tell me whether you share my feelings by whether you return my gift on an appropriate occasion, repeatedly find reasons to refuse my dinner invitation, or come to dinner several times at my place without reciprocating. If we both use this "strategy of reciprocity," neither of us needs to be put in an embarrassing position of verbalizing our feelings. I signal my wish by my initial gift or invitation, and you decline or accept my offer of friendship by your response.

In sum, forms of reciprocity tend to be associated with types of social relations, so the reciprocity practiced between people changes as their relationship changes. We can use reciprocity to achieve social goals: reciprocating or refusing to reciprocate gifts or invitations sends messages that are too embarrassing to say outright. Finally, reciprocity can serve as a way to shorten or lengthen social distance.

Redistribution

The major difference between reciprocity and redistribution—the second major mode of exchange—is the way the transfer of goods is organized. With reciprocity, goods pass back and forth between two participants, with no third party to act as intermediary. With redistribution, goods or money collected from many individuals or groups are taken to a central place or put into a common pool or fund. Some overarching authority (empowered to make decisions on behalf of those who contributed) later draws from this pool or fund in returning public goods and services that allegedly benefit the group as a whole.

In modern nations, redistribution takes the form of taxes on wages, profits, retail sales, property, and other income and assets. To understand redistribution it is instructive to review how our tax system is supposed to operate. Federal tax revenues, for example, are used for two main purposes. First, they are expended in such a way as to benefit the whole country. The citizens receive law enforcement, national defense, infrastructure (e.g., dams, roads, airports), parks, regulation of polluting industries, and so forth. Resources collected from the citizenry are expended on public goods and services. Second, taxes are used to provide assistance for individuals in need. These are "transfer payments" in the form of Aid to Families with Dependent Children, Social Security, Medicaid and Medicare, disaster relief, and so forth. Such public expenditures are based on moral norms and cultural values about social justice, equal opportunity, and helping those in need. Redistribution systems around the world are used for similar purposes: to provide public goods and services and to provide assistance to individuals and groups in need.

But there is another side to most systems of redistribution, a side with which we also are familiar. First, there often is conflict over who should provide the public resources, how the resources should be expended, and how much of a share of them should be given to those who collect and distribute them. One common social and political problem with redistribution is disagreement: when many individuals have contributed to the public pool or fund, not everyone is likely to agree on how the "public resources" should be spent for the "public good." Much of the conflict between political parties in modern industrial democracies is rooted in disagreements over who should be taxed and how much, and over how government revenues should be spent. Parties and various interest groups are, in many cases, quarreling over redistribution: who pays? who gets what? and how much?

Second, those who make important decisions about redistribution frequently use public resources for their own pleasures or ambitions, rather than to benefit the entire population. In modern democratic nations, for instance, officeholders make

The market form of exchange requires money and prices of goods and services determined by supply and demand rather than by centralized authority. People are therefore "free to shop."

deals to allocate federal tax dollars to finance highway construction in their districts. Commute times may be lowered in the short term, but the real purpose is to provide jobs for their constituencies or to serve special interest groups who help with their re-election. More generally, political considerations frequently enter into decisionmaking about redistribution.

A common form of redistribution in the preindustrial world is known as **tribute.** The subjects of a chief or other title-holder contribute products (usually including food) into a common pool under the control of the central authority. Often the tribute is culturally viewed as a material symbol showing that the subjects continue to acknowledge the chief's sacred authority. Some of the accumulated products are consumed by the central authorities and their relatives, some are distributed to support the work of crafts specialists (e.g., potters), and some are redistributed to the whole population at public feasts, celebrations, and ceremonies.

Examples of redistribution systems using tribute payments exist on many of the islands of Polynesia and Micronesia, in the Pacific. On many islands, the entire population was divided traditionally into two ranks or classes, noble and commoner (see Chapter 10 for more about rank and class). Members of the nobility did little agricultural or other manual work, but instead managed the political system and organized religious ceremonies. Commoners produced the food and other forms of tribute, which fed the nobility and their families and which supported other kinds of specialists. On some islands, the tribute rendered by commoners was used mainly for public purposes, such as feeding people who worked on trails and public buildings, providing relief from temporary food shortages, and publicly celebrating special events. On other islands, the nobles were sufficiently powerful to use the tribute to make themselves materially wealthy: they lived in the best houses, slept on the softest woven mats, wore special clothing, had numerous servants, and ate only the finest foods.

Market Exchange

To say that objects or services are exchanged "on the market" means that they are bought and sold at a price measured in money. Person A possesses goods that person B wants to acquire; B acquires the goods by giving A some quantity of money that both A and B agree on; A then uses the money to acquire goods from other people. Market exchange thus requires (1) some object used as a medium of exchange, that is, *money;* (2) a rate at which goods exchange for money, that is, *prices;* and (3) parties to exchanges who have alternative buyers or sellers and are free to make the best deal they can, that is, prices determined by *supply and demand.* On the third point, markets imply the absence of physical coercion: if prices are set by supply and demand, neither party to a transaction can be forced to buy or sell from the other party. This is what we mean by a "free" market—no third party (a government, for example) sets prices or forces anyone to buy or sell from anyone else, and no single supplier of a product controls enough of the market to force people to buy from him, her, or it (in the case of firms).

Because markets (as we define them in this text) require the presence of money, we begin by discussing some of the diversity in money objects and money uses.

Money

Money consists of objects that serve as media of exchange in a wide range of transactions of goods, services, or both. This facilitation of exchange is the main function of money. If an economy uses money, individual A can acquire something from individual B without having to return an object desired by B; money can be given instead, and B can then use the money to buy an object or a service of her or his choice.

Some other characteristics of money are derived from its function as a medium of exchange. For example, money serves as a standard of value: the value of the goods and services that can be exchanged for money can be compared with one another because money serves as a common measure of "how much things are worth." Money also is a store of value: because it can be used to purchase various goods, it represents wealth in a portable form.

Notice that if one individual, A, sells a product (including labor) to B in return for money, then A has (as we say) "made money" off the sale. Individual A may think he or she has made a good deal, but B may turn around and sell the product to someone else, C, in return for more money than was paid to A for it. This is the simplest form of what we call *profit,* and profitmaking is greatly facilitated by the use of money. Notice also that, in our example, individual B has not produced anything tangible, but has merely sold a product to C that was bought from A, the producer. If B does this often enough, so long as C wants the product and is willing to pay B more than B paid A for it, then B can grow very wealthy, for money serves as a store of wealth. *Wealth accumulation,* therefore, is facilitated by markets and money, although it also exists in some economies with neither markets nor money.

Not just any object is suitable to be used as money. Money objects must be durable, or the value they store deteriorates over time. The supply of the money object must be controllable, because if people can get all they want of it, its value inflates and it becomes worthless as an exchange medium. The monetary supply can be controlled by a government, which manufactures the only "legal tender" in the society; or the supply can be controlled by using only imported or rare objects as money. Imported shells are especially common in pre-industrial economies, partly because of their durability. The supply also can be controlled by having the money require a lot of labor to manufacture: money remains scarce because it takes time to make it.

An enormous variety of objects serve as money in one or another region of the world. We already are familiar with currencies of modern nations, issued by governments that control the money supply. In pre-industrial economies, the kinds of objects that take on the characteristics of money are surprisingly diverse. In Africa, for example, the following objects served as money in one or another part of the continent: iron, salt, beads, cowry shells, cloth, gin, gold dust, metal rods, brass bracelets, and livestock. In Melanesia the list of money objects is also diverse: assorted shells (often modified in some way and sewn into fibers to form long belts), salt, the red feathers of a certain bird (also woven into belts), and pigs.

There are nonmonetary economies in which all exchanges are based on one of the three forms of reciprocity. But even in economies that do have an exchange medium, the range of goods that can be acquired with money varies greatly. In some the range is broad: many kinds of resources and goods can be bought and sold, including labor, land, tools, and sometimes even people (slaves). In these systems, money serves as a *generalized* medium of exchange; that is, it can be used to acquire many kinds of goods and services, including land and labor. Anthropologists call this **multipurpose money.**

Money is multipurpose in modern North America. In principle, money can buy privately owned natural resources, labor, and goods. Even money itself can be sold for a price (interest). Some preindustrial peoples also have multipurpose money. For example, the Kapauku people of Irian Jaya, which is now part of Indonesia, used imported cowrie shells and two types of necklaces as currency. Kapauku money could be used to purchase almost anything, including land, labor, crops, pigs, tools, and medical services. Leopold Pospisil (1963), the ethnographer, writes:

> Among the Kapauku an overwhelming amount of goods is exchanged through sales. . . . In their selling and buying most of the Kapauku are strictly profit motivated. Often they invest money in pigs, chickens, large *woti* (bailer shell), inner bark, or animal teeth, for the purpose of breeding the animals for profit, speculating on sales of the bailer shell, or for making artifacts for sale. . . . Besides the necessity of having to buy with money such commodities as land, manufactured products, labor, and services such as surgery, curing, and midwifery, the Kapauku have to pay for favors and acts for which even in our capitalistic society there is no charge. For example, one pays a bride price for a wife, the services of a foster father have to be paid for by the grown boy, a grief expressed by strangers or distantly related people over the death of a close relative has to be recompensed in money, and almost all crimes can be settled through a proper transfer of shell currency (21–22).

Kapauku sales occurred on a daily basis, much as we make purchases of one or another item regularly. Periodically, however, Kapauku political leaders (called *big men*) organized enormous ceremonies attended by hundreds of people who came to sell and buy and to make and pay off loans.

The Kapauku represent an extreme in the range of uses to which money can be put, as well as in their intense desire to accumulate wealth. More often we find the range of money uses in preindustrial economies to be narrow: only a few categories of goods are purchased with money. For example, it may be possible to buy food, clothing, and a few other goods, but land is not available for sale at any price and labor is almost never sold. Here, money is called **limited-purpose money.**

A famous example of limited-purpose money comes from among the Tiv of Nigeria, studied by Paul Bohannan. Tiv money consisted of metal rods, but the rods could not be used as an exchange medium for all other goods. For one thing, land could not be sold, and labor was exchanged among relatives on the principle of generalized reciprocity. For another thing, among these people goods circulated in different *exchange spheres.* Certain kinds of goods could only be transacted for certain other kinds of goods. Goods were culturally classified into categories, within which they were freely exchangeable, but between which exchange was difficult.

The "subsistence sphere" category included cultivated crops, chickens and goats, and some tools and household goods. Goods within this sphere were exchangeable for one another by means of barter. The "prestige sphere" included slaves, cattle, a special kind of white cloth, and metal rods. Within the prestige sphere, metal rods functioned as an exchange medium: one could sell cattle for metal rods and then use the rods to acquire white cloth or slaves, for example, but the monetary function of metal rods normally was limited to the prestige sphere.

However, it was *possible* to acquire subsistence goods in exchange for metal rods; but these transactions were rare, for two reasons. First, few people were willing to trade their metal rods for subsistence goods. This is because goods that circulated in the prestige sphere had much greater cultural value to Tiv than subsistence goods. Second, metal rods were worth an enormous amount of subsistence goods. Yet the metal rods had no denominations; that is, unlike dollars and cents, they were not divisible into fractions. So for a Tiv to try to exchange one metal rod for subsistence goods would be like an American taking a thousand-dollar bill into a grocery store to buy food, with the clerk unable to make change. As a result of these two factors, Tiv metal rods were largely limited-purpose money.

The Tiv example serves to remind us that just because we find it convenient to call some object "money" does not mean that it has all the characteristics of our own currency. Indeed, some anthro-

In many countries, the stores at which market transactions occur are often family enterprises, like this one in China.

pologists believe that money objects are lacking in pre-industrial economies and that money is a Western concept that we should not attempt to apply to other cultures. This problem is mainly semantic, however: if we define money simply as a medium of exchange, it is found in many other economies. To avoid confusion and false impressions, we do need always to specify its uses and its cultural meaning to the local people.

As we discuss next, we also need to be careful with the use of the term *market,* because many non-Western markets do not work the same way as ours.

Marketplaces

Those of us who live in modern, industrialized economies are accustomed to purchasing most of what we need and want in restaurants, car lots, supermarkets, and shopping malls. That is, we rely on the market to satisfy our desires—we earn money from our jobs and spend the money on goods and services. In the process, we depend on other organizations (companies) to produce and sell the products we wish to buy.

Even in the modern world, hundreds of millions of rural peasants are not nearly so dependent on market forces. Rather than selling their labor to others in return for a wage, they work the land and fish the waters to supply food for their families directly. Rather than producing goods that they turn around and sell at a price to others, they consume most of what they produce themselves. There are places in most peasant communities where goods are bought and sold—there are *marketplaces.* But people do not rely on marketplaces for most of what they consume, nor do they spend most of their working hours producing goods to sell at the marketplace.

Such peasant marketplaces are common in West Africa, southern and Southeast Asia, the Caribbean, and Central and South America. Peasant vendors sell food, cloth and clothing, leather products, livestock and other goods produced by their families. Traveling merchants (middlemen) bring commodities imported from the developed world or from elsewhere in the region to sell to local people at the marketplace.

Although much buying and selling occurs, peasant marketplaces are not the same as modern shopping malls or department stores. Several notable differences exist between peasant markets and the markets with which people of urbanized, industrialized societies are familiar. First, the categories of products sold at the marketplace are limited, and in fact, most people produce most of their own subsistence using family labor. Most people do not acquire their livelihood from selling their labor for a wage. Rather, they rely on the marketplace for only certain categories of goods that they cannot produce for themselves efficiently. Most people are not making their living by selling something (objects, labor) on the market.

Second, producing and marketing goods for monetary profit are part-time activities for many vendors. Many marketplaces are staffed mainly by peasants, who sell small quantities of food, pottery, furniture, fibers, crafts, or other objects they have produced with family labor. Indeed, marketplaces frequently are periodic, meaning that they do not open every day, but only for a day or two a week. Peasant vendors sell their products on whatever days the market is open in their region. Traveling merchants typically visit several markets in different regions in a single week, often buying products for sale at one market and reselling them at a distant market a day or two later.

Third, peasant vendors usually sell products that they or their family members, rather than hired laborers, produce. This means that the kinds and quantities of goods offered for sale by any single vendor usually are small. Most marketplaces also feature products sold by people who specialize in buying them wholesale and selling them retail. Such people are dependent on the market—with all its insecurities and risks—for their livelihood. They therefore have developed various marketing strategies to reduce the risks they face. We conclude this section by considering some of these strategies.

When we who live in a market economy visit a marketplace—a store or car lot, for instance—we normally buy goods from strangers. We do not expect any special treatment. We pay the same price as everyone else. If we need credit, we expect to pay the market rate of interest. We expect sellers to be looking out for themselves, just as sellers expect us to be trying to get the most for our money. This characteristic of our market exchanges is referred to as the "impersonality of the marketplace." This impersonality is expressed nicely by the old saying that "one person's money is as green as anyone else's."

Marketplace vendors in much of the pre-industrial world frequently develop more intimate and personal relations with their customers. In the Caribbean nation of Haiti, for example, the parties to a market exchange commonly establish long-lasting

In peasant marketplaces such as this one in Guatemala, most sellers produce or manufacture their wares themselves, and most buyers do not rely on purchased products for all their needs.

special relationships with one another. The market intermediary (whom we know as a middleman, although most of them are women in Haiti) purchases food and other goods wholesale from several farmers for transport and retail sale at a marketplace. She establishes a special relation, known as *pratik,* with many of her suppliers and customers. *Pratik* involves certain concessions an intermediary makes. For instance, when she buys produce from a farmer, she may pay a little more than the market rate or give the producer a loan against a future crop. A market vendor gives special treatment to some of her best customers as well. When a *pratik* partner approaches her stall, she quotes the going price for the product on that particular day; but when the transaction is consummated, the seller throws in a few extra items of produce.

According to Sidney Mintz, who studied Haitian marketplaces, *pratik* relationships are beneficial because they increase the economic security of vendors, who sacrifice short-term gains for long-term reliability of suppliers and customers. Because they themselves usually are poor and because competition between them is severe, vendors seek to maintain long-term relationships by granting better deals to their *pratik* than the current market prices. This allows them to develop a steady clientele who return to them again and again.

The same personalistic relations are reported for a marketplace in a Philippine town studied by William Davis. Here, also, sellers attempt to reduce their risks by gradually building up a steady, large clientele of customers, rather than by squeezing all the money they can from a single transaction. Each vendor maintains "special customer" relationships (called *suki*) with numerous people who regularly buy his wares. The customer receives credit, favorable prices, extra quantities of goods at a given price, the best quality goods his *suki* partner has to offer on a particular day, and certain services. The vendors benefit as well: their *suki* customers are expected not to patronize any other suppliers of goods they carry. This is a great advantage in calculating the minimum quantities of goods they will be able to sell and, hence, helps to keep them from unintentionally stocking more of some categories of goods than they can sell.

In both Haiti and the Philippines, the impersonality of the marketplace is modified by the formation of personal ties between sellers and buyers. Both *pratik* and *suki* increase the security of marketplace trade for vendors, their suppliers, and their customers.

Summary

1. This chapter covers exchange, or the patterned ways in which products are transferred between the time they are produced and the time they are consumed. Economic anthropologists find it convenient to classify the variety of exchanges that exist in human economies into three major modes, or types: reciprocity, redistribution, and market.
2. Reciprocity is the giving and receiving of objects without the transfer of money. Generalized reciprocity usually occurs between parties who are culturally obliged to assist one another in times of need, as among relatives and sometimes close friends. With balanced reciprocity, a return of an object of equivalent value is expected. The goal of balanced reciprocity may be the acquisition of goods for their utility, as in the Trobriand *wasi.* More often it is motivated by the desire to create or sustain good relations between individuals (as in gift giving) or political alliances between groups (as with the Maring pig feast). Negative reciprocity is characterized by the desire of both parties to acquire as many goods as possible while giving up as few as possible, as in barter.
3. The variety of reciprocity that is likely to characterize transactions between individuals and groups depends on the normative degree of social distance between them. This implies that exchange relations alter if social relationships change. Conversely, one party can initiate an attempt to alter a relationship by an offer of a good, and the other party can signal acceptance or rejection by his or her response. Therefore, varying the type of reciprocity can be used to draw people closer together or to push them further apart. In effect, a reciprocal exchange of goods (and services) can also serve as an exchange of messages about feelings and relationships.
4. In redistribution, the members of a group contribute goods or money into a pool or fund, and a central authority reallocates or uses them for public purposes. Taxes in modern nations and tribute in chiefdoms are examples. Normatively, redistribution is supposed to

provide resources to increase public welfare, either to provide public goods or to support those in need. In fact, there is much conflict over collection and allocation, and those officials who do the collecting and allocating frequently use their authority for private ambitions rather than public interest.

5. Market exchange involves the buying and selling of goods; it therefore requires money and prices determined by supply and demand. Money makes the exchange of goods and services more convenient and also facilitates the making of profit and the accumulation of wealth. Money functions as a medium of exchange, a standard of value, and a store of value. These functions mean that money objects must be durable, and their supply must be limited or controlled in some way. The range of goods and services that can be bought with money varies between economies. Money types can be characterized as multipurpose (like modern currencies) or limited-purpose (like Tiv metal rods).
6. The affluent citizens of most modern urbanized, industrialized countries make their living by selling their labor on the market and purchasing commodities at stores and other retail establishments. Rural peasants of many countries are not so reliant on markets, for they produce most of their food themselves and shop at local marketplaces for only some of their needs and wants. In peasant marketplaces, most vendors are small-scale and part-time. In many regions they develop special relationships with sellers to reduce their risks, as illustrated by *pratik* in Haiti and *suki* in the Philippines.

Key Terms

reciprocity
redistribution
market
generalized reciprocity
balanced reciprocity
negative reciprocity
social distance
tribute
multipurpose money
limited-purpose money

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