

**INDIA' S MARKET SOCIETY : three essays in political economy**  
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**PREAMBLE**

The idea of a market society is the brainchild of Karl Polanyi. It is the kind of society in which exchange is dominated by markets to the increasing exclusion of other forms - reciprocity and redistribution. In fact, a market society is a contradiction in terms. Pure market society cannot exist and does not exist. Since it is not the job of markets to guarantee livelihood and life, if all exchange were market exchange society would fall apart. It is the job of markets to convey signals to production and to create, extract and distribute the surpluses which contribute to the reproduction of a society. Marx saw the state as supplying the preconditions for markets to work, for commodification to grind away and for accumulation to concentrate and centralise under capitalism. Polanyi saw the state as the central institution which must protect society from the ravages of markets.

But there are institutions other than market and state which shape market society. In these three essays I look at the non-market and non-state institutions *without* which markets do not function and *with* which society protects itself from markets. In performing these roles, they both regulate and resist the process of commodification that is racing at full gallop in India. At one and the same time these institutions stabilise the process of accumulation and express non-economic forms of social authority and power. For they also do things other than regulate markets. I try to disaggregate the meta-notion of society and ask which parts of society are protected and how, and which aspects of real markets are served by these non-market institutions. What kind of market society is India becoming?

The first essay introduces the problem from various theoretical perspectives. These are found to be suffused with romanticism; or they theorise institutions at levels of abstraction far above that at which institutions and markets actually operate. Then I explore the distinctly unromantic contemporary literature on India' s rural and small town economy - the larger part of the economy which is informal, non state- or inadequately state- registered. Two thirds of the Indian economy is reckoned to be socially regulated, accounting for over 90% of livelihoods and getting bigger all the time. The first essay reports on the role of non market institutions in the structuring and behaviour of some of the basic markets without which S. Asian society could not possibly reproduce itself. It focuses on markets for land, labour and the 'essential commodities' of staple food and contextualises the non-market, non-state institutions in the ground realities of the regulative behaviour of the Indian state.

Clearly a full understanding of India' s market society would need many lifetimes to figure out; and India' s market society does not stand patiently by in the process. The other essays consider

two of the major social structures operating inside and outside markets. I have found these major structures to be the social rigidities of contractual parameters, class, the household, age/generation, gender, clan, ethnicity, caste, religion, place, language, political party and the state. Without doubt the list is not complete. A great deal has been written about the state, political parties and gender in the Indian economy, and to date nothing about language as an economic regulator. I decided to choose institutions other than those which have been favoured or utterly neglected and to seek to show how the two that have been selected interact not just with markets and the state but also with the other central formative and protective institutions.

The second essay examines caste and shows how caste is being reworked in the contemporary era to be an instrument of corporatist regulation. The ways caste works as an economic regulator depends on the position of castes in the ruins of the collapsed (or fictitious) caste 'system'. While drawing on a wide reading, this essay is inspired by a detailed field study of caste and business associations in a single town in S. India.

The third essay asks a question that it seems scholars are reluctant to pose : what are the implications for the economy of there being a plurality of religions in India? Religions are bodies of disputed understanding of divine doctrine and ethical norms. Sometimes these are conveyed in the form of myth. To trace the slippages of influence of doctrine from myth to custom and law and to examine their modification in practice is completely beyond the scope of my enquiry. But religions also define the organisation of their adherents. The question can start to be tackled by asking where India's minorities are sited in the economy. There is ethnographic evidence throughout India which can be brought to bear on this question. I interpret it to suggest some higher order propositions about the impact on the public sphere of a plurality of norms of compliant behaviour and of divine authorities.

This choice of subjects may make readers wonder about my intellectual background. I am employed by Oxford University to teach development studies, a continually contested, multi- and inter-disciplinary field of knowledge which seems to have fewer and fewer boundaries as time goes on. At its core are politics, economics and sociology. I came to it through geography, agricultural science and development economics. I am committed to a kind of field experience which fuses participant observation with surveys. A love of mountains and an interest in the green revolution led me to India in 1969. In my research as a field economist on and off over the last 34 years (and in the work I encourage students to do), I have tried to examine the ground realities of the markets which form the building blocks of Indian capitalism - together with the deprivations of people who are casualties of the workings of these markets and this capitalism: those whom the system treats as 'waste products' or who are required by it to be kept poor, sick, ill-educated, disempowered and usually heading for premature death. I have understood the study of development to mean that of capitalist development, for, though it requires transcending, it has yet to be transcended.

These three essays have all been reworked from originals. A much shorter first version of essay number one was originally published in the inception volume of *Oxford Development Studies* in 1996 and a longer version in the inception volume of *New Quest* in 2002. The second essay was published by Elisabetta Basile and me on the website of Queen Elizabeth House, Oxford University in 2000, working paper 38, and an abridged version appears in (eds) B. Benewick, M. Blecher and S. Cook: *Asian Politics in Development: Essays in Honour of Gordon White*, 2003. Prof Basile has generously consented to its being revised and included here. The third essay has been reworked with kind permission from Cambridge University Press from chapter 6 of my book *India Working*, 2003.

To appreciate how indebted I feel to the many scholars and friends who have helped me along the way and to my family, which has tolerated and encouraged this journey, readers are invited to turn to the acknowledgements in that book.

As Radhika Desai did with her Three Essays, I would also like to dedicate mine with gratitude to Colin Leys.

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## ESSAY 1: MARKET ROMANTICISM AND INDIA' S REGULATIVE ORDER

### Introduction

The discourses of development are awash with imaginative metaphors (informal economy, structural adjustment, the developmental state and, from earlier times, Myrdal's *Asian Drama* (often shelved under theatre studies in libraries), Rostow's take-off and Smith's invisible hand). Its institutions are multiply labelled and pop up bearing the baggage of different theories and paradigms. Capitalists for instance are the business class or private entrepreneurs; privatisation is assets stripping; the World Bank is an NGO <sup>1</sup> and NGOs are civil society. One word may have a range of meanings. What regulation, governance, **market**, **transaction**, **business**, **capability** and **exploitation** each signify depends upon the context in which the word is being used. Writing on development is also suffused with complex semiotic codes (proletariat vs labour, employment vs exploitation, accumulation vs growth, labour force vs labour power, welfare vs capability).

**'Free market romanticism'**<sup>2</sup> is a particularly vivid example of all four traits of development discourse : metaphor, paradigm, fashion and code. The phrase has been deployed as a critical retort to neoliberal advocates of privatisation and deregulation under conditions of the market-led imperialism which is engulfing the world at the start of the 21st century. The idea of 'the market' is being handled in a very peculiar, restrictive and romantic way which serves neo-liberal interests. In these essays I will explore romantic ideas of the market and contrast them with unromantic depictions of real markets in India. I will also ask: what makes Indian markets Indian? What gives Indian capitalism its character? Since two thirds of the Indian economy is out of the regulative control of the state, I will look most closely at this informal, socially regulated economy. To answer these questions, I find it necessary to examine how this economy is instituted

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<sup>1</sup> At the Cairo Population Conference in 1994

<sup>2</sup> Bernstein, 1995

and regulated through forms of authority and power whose fields lie outside the economy. There is nothing new about romantic depictions of the market. *'The market spells liberation, open-ness, access to another world. It means coming up for air'* Here is the romanticism of Braudel introducing in 1975 his great sweep of history and geography <sup>3</sup>. That walled market towns and fortified city-ports were realms of relative freedom speaks volumes for the levels of oppression in the expanses outside these places - as commercial capitalism started to conquer the world. And a whole millenium earlier: Piranmalai had been *'a place where people sang in the streets, all kinds of fruit, trees and flowers grew, all religious observances were properly performed, a place which was not only a centre of commerce but also of culture and truly fit for merchant princes.. who would protect the commercial centre and usher it into a new era of peace and prosperity'*. Thus spake a Tamil inscription <sup>4</sup> at a time and place when there were no illusions about market freedom of the sort asserted here: *'Unlike industry, agriculture functions in a competitive environment... there are no monopolists who need to be disciplined by the competition that liberal trade can provide. The gains from trade liberalisation are generally found to be quite small in most analyses using general equilibrium models... The grain trade is highly competitive and all scope for arbitrage across time and space is exhausted'*<sup>5</sup>; and metamorphosed here: *'To get ahead in the fast track - and the Indian economy is on a very fast track indeed - to meet the challenges of liberalisation, we are harnessing our vast resources, distribution networks, retail outlets and manpower to move ahead, touching the lives of millions. Anticipating their needs. And fulfilling them'*<sup>6</sup>

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<sup>3</sup> Braudel, 1985:26

<sup>4</sup> Hall, 1994 : 79-80

<sup>5</sup> Parikh, 1993: 2,17

<sup>6</sup> Maharashtra Supplement, The Observer, 1995 March 12th pXVI

Though Marx saw the forces of accumulation come dripping in blood, he could also write romantically and without irony about markets. The market is the realm of voluntary exchange, free within the law, a realm of optimal allocation according to the relative preferences of participants looking only to their advantage according to an impersonal mechanism, neutral among the desires of individuals <sup>7</sup>. For the mainstream economist it is the supreme medium for the expression of individual choice. Generalised under perfect competition, markets ensure the maximisation of productivity according to principles of static comparative advantage <sup>8</sup>. Dynamic modelling stresses a host of positive developmental externalities of market exchange, both physical and price-related :- incentive goods, information, infrastructure, horizontal and vertical linkages and integration and capital formation <sup>9</sup>.

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<sup>7</sup> Marx K 1974, Book 1 p280

<sup>8</sup> Bressler and King 1972 and many other textbooks.

<sup>9</sup> Bauer, 1990 ch1 (but after Marx, Capital, Book3).

The romantic conception of the market has had great currency in international developmental and financial institutions. For FAO, an assortment of third world markets have been labelled 'agricultural services'. As noted caustically by Ashok Rudra <sup>10</sup> the application of the metaphor of 'service' to markets is common. <sup>11</sup> Long before structural adjustment, FAO had already espoused a pro market ideology. FAO's 'market' was endowed with a vector of attributes comprising command over skills and capacity for innovation :*'in market oriented economies....private trade acts as an innovator, an agent of change and should be fully integrated in rural development strategy'*<sup>12</sup>. For the World Bank and the IMF, the efficiency outcomes of the market have been taken as axiomatic. *'a greater role for the private sector will improve the efficiency of domestic and international marketing', 'reforms in Africa cover a wide range of measures aimed at giving markets a greater role in promoting development'; 'the World Bank has consistently sought to help countries to obtain the advantages of market discipline'*.<sup>13</sup>

It is a small further step to glue some neopopulism to the embodiment of static and dynamic efficiency. This accretion has taken forms which are both assertive and normative: *' Marketing systems are vital to the poorest of the poor, to women, to the landless and the uneducated... Markets offer them everyday a chance to acquire the minimum means they need for survival...Traditional marketing systems ( sic) offer a variety of approaches towards the promotion of self help among the farmers themselves... Markets should ensure a livelihood for the rural*

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<sup>10</sup> Rudra, 1992 ch 3

<sup>11</sup> For Indian examples , see Shah 1966 and Wanmali 1991

<sup>12</sup> Mittendorf, 1980 p6. The British Prime Minister, when Shadow Home Secretary wrote with implicit scepticism of this essentialist argument, though accepting the concept of the market: 'The fundamental economic question is not how to abolish the market (sic) but how to equip individuals with the education and skills they need to survive and prosper in a market that will become ever more global and competitive' (Tony Blair, Observer, 9.5.1993)

<sup>13</sup> Respectively World Bank, 1986, ibid and International Monetary Fund , 1988 quoted in Mackintosh 1990



*masses, limit exploitation and lead to a sustainable, efficient and self controlling system. The market should be efficient not merely as an economic dimension but also in an ecological... and logistical dimension... requiring decentralisation, democratisation, participation and to some extent a redistribution of power'*<sup>14</sup>

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<sup>14</sup> Cammann/DSE 1992 p1-7

For the lexicographer, romanticism has four type of attribute: imaginative vision, extravagant wildness, fictitiousness and remoteness from experience.<sup>15</sup> Hegemonic free market romanticism has all of these attributes. It is an arbitrary set of flawed, restricted ideas the developmental implications of which can be positively dangerous. For a start - and even in theory - this market responds to demand and not to need. It is therefore consistent with any distribution of income including one where many might not have an income at all.<sup>16</sup> The market of economics is well known to rely on a limited concept of human motivation (on voluntaristic decision and individuated utility maximisation<sup>17</sup> rather than expressions of habituated behaviour and conditioned by relations of trust and power and a range of motivations)<sup>18</sup>. These markets are "extravagant abstractions relying excessively on shaky foundations of timeless equilibrium"<sup>19</sup> and on the history-denying propensity in general equilibrium economics to wind time backwards and forwards. In theory, where there are scale economies, where lumpy investments co-exist with small markets, there lurk the conditions for monopoly. These conditions are common; and Bauer's market which generates positive externalities, also generates negative externalities which by itself it cannot amend.<sup>20</sup> Environmental 'bads' are most well known [but there are others<sup>21</sup> ] If left to economists' glass bead games, these problems would be far from trivial. But as we have already seen, free market romanticism is the basis of much development policy. Assuming its intentionality, this policy is routinely associated with, if not the cause of, development paradoxes

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<sup>15</sup> Chambers Twentieth Century English Dictionary

<sup>16</sup> Sen 1981

<sup>17</sup> Hodgson, 2001 on its being consistent with any evidence.

<sup>18</sup> Bartlett, 1989 ; Hodgson, 1988, 2001; Lane, 1991

<sup>19</sup> Robinson, 1979

<sup>20</sup> Altvater 1993 ch 5

<sup>21</sup> There are those that can be both positive and negative. In its entry for externalities, the Penguin Dictionary of Economics, first published in 1972, trades its usual thorough and boring explanations for a male chauvinist one, on page 173: "Miss A wears a miniskirt."

where intended victims become beneficiaries and vice versa <sup>22</sup>.

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<sup>22</sup> Harriss and Crow (1991) dissect three of which one, the success story of Somalia (until 1988) can be summarised here. The efficiency outcome of agricultural market deregulation included highly polarised distributions of trading assets, distributive margins and returns to trade much wider than justified by risk of (transactions) costs and than returns elsewhere in the economy, and unregulable transactions. The result for equity included distress commercialisation, physical market failures (lack of information, capital and infrastructure) and rapidly adverse and deteriorating terms of trade to pastoralists and sorghum farmers in deficit regions leading to acute nutritional stress. See also (ed) Hewitt de Alcantara (1992) and (eds) Gould and von Oppen 1994 for others.

Why do such paradoxes occur? What are actually existing markets? Their definition is so 'remote from experience' that 'market' has no entry at all in the Palgrave's Dictionary of Economics despite appearing in the text thousands of times <sup>23</sup>. Of the hundreds of attempts to pin the term down and make it applicable to the historical world (attempts dismissed by Braudel as 'an almost theological taste for definition' undertaken by scholars of historically challenged disciplines <sup>24</sup>) the result of one painstaking, terminological deconstruction is useful. The distinctive and defining character of market exchange is an '*economically qualified purposeful interchange of commodities on the basis of quid pro quo obligations at a mutually agreed upon exchange rate.. in a cluster of exchange and rivalry relations*' <sup>25</sup>. The social relations unique to market exchange require a combination of 'horizontal' adversarial competition between populations of buyers (and those of sellers) on one hand and a mass of 'vertical' exclusive, bilateral transactions between one buyer and one seller on the other. This definition allows for exchange rates mutually agreed but not necessarily mutually beneficial. The purposeful bilateral bargaining and obligations resulting from contractual arrangements could, as per this definition, rest on and reinforce a highly unequal base (or counterfactual fall back) position. This definition allows the possibility of diversity and of compulsion. It does not even require the clarity of private property rights in order for property to be exchanged. It is not romantic.

How do we come to know about real markets? An unromantic understanding of markets needs a mode of enquiry which is open to the uniqueness of space, time and society, the richness of motivation, the non-existence either of perfect competition or of equilibrium and the pervasiveness, and many forms, of power. There is no alternative to ways of knowing grounded in

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<sup>23</sup> Guerrien 1994 : 32

<sup>24</sup> Braudel 1985 : 227. See Hodgson 1988 ch 6 for such a theology and Braudel's own clarifications pp 223-30

<sup>25</sup> Fourie, 1991:43.48

the specifics of field experience and therefore at the most local of scales.<sup>26</sup> This approach can be easily dismissed. '*No description can even begin to lead to a valid explanation of market economy if it does not cover the world*' wrote Braudel, among the few - with Polanyi - to have dared to try.

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<sup>26</sup> The method uses a combination of systematic survey-style enquiry conducted by the researcher at first hand and observation of a sort associated with anthropology. But it is very rare to find *participant* observation in such research where the fieldworker trades, labours and/or enters into land contracts (Harriss-White, (ed), 1999).

Unromantic markets are also described as 'actually existing' and 'real' <sup>27</sup>. Since neoclassical models exist and are real, and since the surface paraphernalia observed historically may also be related to deep structures observable only analytically, we can come to know about the unromantic market only through a reflective juxtaposition of direct experience, of experience related now, or recorded in time past by others, and our theories.

From the ever increasing number of real markets, we have teased out some of the agrarian markets of South Asia, the provisioning systems which are the material foundation of societies of over 1 billion people. The mass of case material can never be the basis for general extrapolation. A middle order exploration is not 'policy-relevant' either, if only because development policy is generally slapped down from above the level at which the power structures work - and is filtered through them in the rather neglected process of implementation. Although this is a project in economics, it is in **field economics**.<sup>28</sup> Field economics is never going to refine the formal rigour of mainstream economics.

## UNROMANTIC MARKETS

*'To conceive of economic phenomena as embedded is not to renounce theory, certainly not, it is to start theorising differently'* Caille, 1994

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<sup>27</sup> Hewitt de Alcantara, 1991; Mackintosh, 1990; Gould and von Oppen, 1994.

<sup>28</sup> Hill, 1982

A mere half-day spent exploring any Indian *mandi* will reveal the contradictory role of an economic market. Its system of prices is the mechanism by which resources are allocated. At the same time, it is through these prices, through the system of prices for other goods and through the organisation and rewards of labour, that resources are extracted and shifted between sectors of the economy, between the countryside and the town - and between classes. Even reducing markets to these roles is a gross simplification. Markets are steeped in non-market institutions without which they could not function and with which the system is reproduced. This set of institutions has a local character shaped by their histories. At the same time they are continually being changed by the action of people who have been socialised by their means. What are these key institutions? In this section we bring together some influential ideas on the institutions shaping market exchange.

### **markets and other kinds of exchange**

Not until recently has exchange been dominated by a market of the type characterised by Fourie.<sup>29</sup> Systems of non-market exchange have been recognised to comprise two principles: redistribution and/or reciprocity. Polanyi contrasted such non-market exchange with that of a stylised market society where a commercial logic rules and an un-embedded self-regulating, price-making market dominates economic life<sup>30</sup>. As Braudel observed, it is too easy to reduce one phenomenon to sociology and another to economics;<sup>31</sup> and John Davis has found cause against dualistic schemas of the Polanyi kind on the empirical grounds not that reciprocity and redistribution did or do not characterise underdeveloped exchange, but that they are deeply pervasive in what he calls OECD

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<sup>29</sup> See for example the socially stabilising forms of exchange of goods and services mediated through the caste system, the presents of the potlatch, the centralisation of surplus by an authority, the customary kind rents of sharecropping or the fixed kind payment for variable energy inputs of bonded labour ( Polanyi, 1985).

<sup>30</sup> Platteau 1994 also finds this dichotomy fundamental in his argument about the fragility of the ethical substrate of market exchange.

<sup>31</sup> 1985: 227

societies<sup>32</sup>. With reference to India's markets, it is indeed quite likely that reciprocity and redistribution are of significant and enduring importance. Further, many market relations may be entered into using the logic of reciprocity or redistribution as the motivation for marketing. Two examples are grain for gifting and procurement for fair price shops. In India, as elsewhere, the first 'impurity' is the intermingling of market and non-market exchange.

#### **markets, marketing systems and systems of markets**

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<sup>32</sup> Davis, 1992; see Sanghera, 1995 for an analysis of the ways in which 'developed' trade in Britain is embedded in ethnicity.



For many of the commodities without which India could not reproduce itself, the representation of a market system by ‘a market’ or even with commercial trading ‘markets’ is wrong. It obscures the fundamental diversity of processes of physical transformation, of transfers of property rights, of types of firm engaged in these transactions, of the activity these firms internalise and of their financial and social grip over production. From the threshing floor onwards, the post production system for agricultural products is structured technically by a division of labour and a set of productive activities: assembly, processing, transport and storage (which both prevents deterioration and admits opportunistic speculation). The physical system is patterned logistically by commodity flows.<sup>33</sup> Commonly, a diversity of techniques and of transformation costs co-exist without instability in a system segmented by technology and energised by socially segmented production and consumption.

Over this physical skeleton lies a musculature of multiple sequences of transfers of property rights and price formation. Conventionally analysed as if these sequences were layered, competitive conditions at any point in this sequence can vary, crudely, over 9 possibilities of one, a few and many buyers and sellers. Economists theorise a few of these stylised competitive conditions. When markets are socially segmented, competitive conditions may vary within a single market place. The more nationally integrated, long-distance and multiple-sequenced, the less likely it is that a general statement can be made about the competitive conditions of a marketing system.<sup>34</sup>

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<sup>33</sup> It is an open question whether social processes can be inferred from spatial patterns.

<sup>34</sup> Leplaideur, 1992; Pujo, 1997

Within such systems, the distribution of assets is biased. Economic assets speak volumes about the exercise of power through behaviour such as stock holding, bargaining advantage, capacities to bear risk, press decisions, control information, constrain the choices of others and link and/or segment markets through interlocked contracts. In systems where control over assets, information and access to the state are polarised and where a small elite can constrain competitive challenges from petty trade, large and petty firms have been identified, heretically, as *classes* on the grounds that they have different relationships to the means of distribution, and that petty trade is a form of disguised wage labour.<sup>35</sup> Within sets of commercial firms, the distribution of assets (and technology) is the battlefield for class formation and consolidation. This distribution will set limits to the emergence of labour markets. Such firms contain a mixture of buying and selling (with its inevitable hint of the coercion needed to buy cheap and sell dear) and productive activity (needed to transform the physical nature, sites and time of provisioning commodities). Within commodity markets are therefore to be found the crucibles for accumulation. Their credit relations bind the sphere of agriculture proper to this process, depriving producers of full autonomy and independence so that commercial capital indirectly manages production.

Draped onto this musculature of physical activity and constituting these classes are firms. The firm is a hierarchical governance structure. It is also a unit of *patriarchal* governance. At the same time it is a zone of co-operation and in many cases indistinguishable from the unit of

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<sup>35</sup> Leplaideur 1992, is addressing a Marxist orthodoxy but not here invoking a Marxist teleology. The classical definition in terms of the relationship to the means of production excludes trade as irrelevant because things are not produced by the acts of purchase and sale. However 'real' markets are mixed sets of productive and distributive activity so the theoretical point breaks down. Leplaideur's schema specifies forces of distribution, as in our text, relations of distribution ( organisational networks, contractual behaviour and the internal social relations of firms) and means of distribution ( transport, sites, capital, stock, information, patents etc). While one class may dominate control of distribution, another class of traders may resist and yet another be interested only in simple survival. Leplaideur produces a four class schema relevant to West African conditions (pauperising traders, marginal and assetless traders, simple-reproducing firms and surplus accumulating firms), but the potential for disaggregation verges on the analytically intractable.

**reproduction, the family.** Not only are firms non-market ways of organising and co-ordinating people, they are units of capital - the basic building block for accumulation. A variety of organisational forms may be seen to co-exist. Common ones in S. Asia, with distinctive internal incentive structures, include :

- self employment, on a petty scale or in a family firm. Petty trading can be seen as a market analogue to petty production rather than a nascent capitalist form. Petty production lacks wage equivalents, profit, and the capacity to engage in productive expansion. While Marx thought that under capitalism, the space for petty production would be small, one of the defining features of modern capitalism in developing countries is the large and expanding space for this kind firm;
- private firms, with private or corporate ownership, with national or international capital, with worker-capitalists together with labour employed with a range of insecure contracts;
- co-operatives commonly with, but sometimes without, wage labour;
- state trading institutions whose ownership varies from complete dependence on the state to partly privately owned, joint stock companies independent of the state.

It has proved extremely difficult to predict the consequences of ownership structures for market behaviour.

Firms are differentiated not just by ownership and size but by what they do - their functions . The activities performed by the firms which make any actually existing market are not confined to buying and selling. At the very least, trading firms may buy, sell, broker, store, transport, process, produce, finance the production of others and finance trade. There are 511 possible combinations of these 9 activities.<sup>36</sup> From the simplicity of vernacular classification systems of trading firms it might be assumed that activity combinations are highly patterned. But this is not so. Wherever activity combinations have been analysed there merge tendencies to diversity, complexity and uniqueness. These properties qualify the metaphor of markets as consisting of layers or stages each populated by firms which can be compared. Functional differentiation does not appear to be

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<sup>36</sup> For n activities the combinations are 2 to the nth minus one.

connected to assets or gross output. Other attributes of sets of trading firms cannot be compared on the basis of what firms do; and it would be reckless to line such firms up in a production function without testing first for their functional diversity.<sup>37</sup>

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<sup>37</sup> Harriss-White, 1995 Greg Scott

Further, market systems behave differently from the sum of individual firms. Complexity and specificity in individual firms may be understood as a form of reputational branding, an extreme form of market segmentation. But by its means the entire system is endowed with plasticity and resistance to environmental uncertainties and policy shocks.<sup>38</sup> An idea worth further exploration is that the greater the complexity, diversity and tendency to uniqueness, the greater the perturbations and shocks that have shaped its development.

Firms cannot reproduce without families. The family is stylised as a zone of reciprocity, and a place where the calculus of economics is irrelevant. But it may be neither. The allocation of productive and reproductive work, whether co-operative, collective or individualised in a domestic division of tasks, can be influenced in a calculative way by prices for the genders on labour markets outside. The point is that the market mediated household so celebrated by the new home economics is never *only* that and may be never *be* that. The family is certainly also a site for the patriarchal exploitation of labour. This is not price mediated but calling the relationships involved 'reciprocity' does them a grave injustice because these relationships systematically deprive one gender of the capacity to initiate exchanges. When the family is the basis of the family firm and the family firm is the building block of the market, then the family will be an entry barrier. Changes in the relations between the genders and generations which are not due directly to the economy will affect economic roles in and around the family.

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<sup>38</sup> Harriss-White, 1996, ch 5, ch 6. Hodgson (forthcoming: 356) goes much further and even more speculatively in generalising about such phenomena as systemic complexity ... "self organisation and order can arise (from chaotic interactions) in complex systems .... The traits of the self-organising system emerge from its basic structure, despite the chaos at the micro-level .... In sum, chaos theory suggests the possibility of structure and order existing with chaos". The relationships between micro-level chaotic disorganisation and the structural concentration of economic power and capacity to appropriate and accumulate resources have not yet been linked theoretically.

So, systems of markets will not look like Walrasian general equilibrium and cannot be supposed to be moving towards it. Systems of markets emerge at different dates and in different ways. As Chaudhuri has observed in relation to early modern India, the structure and organisation of markets have differed widely from one society to another without impeding the flow of goods and services between them, though trade has demanded considerable flexibility in commercial techniques. Such flexibility may amount to the extraction of surplus through various modalities, merchants being simultaneously "businessmen of the epoch of primitive accumulation, and modern entrepreneurs"<sup>39</sup>. Archaic and local practices can and do co-exist with modern and global ones. Indeed, what we think of as archaic is continually being re-worked and is as much a part of a modern economy as its modern corporate archetypes. And the corporate firm has very long history. Every modern market system is an expression of the history of its regulation.

#### **the social embeddedness of markets**

How do markets get their character? By being embedded, not only in production, as the great economic historians have all emphasised, but also in economic, social and political institutions. Folbre, examining how markets are shaped by and shape gender relations, refers tellingly to institutions as 'structures of constraint'<sup>40</sup>.

#### **the problem with institutions as constraints to utility maximisation**

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<sup>39</sup> Levkovsky, 1966: 234; Chaudhuri 1994. Janakarajan's research is unique in analysing the character and recent evolution of all principal agrarian markets ( water, land, inputs, money and products) and their relationships to one another in a region in Northern Tamil Nadu ( 1986,1991,1993).

<sup>40</sup> Folbre N 1994

While mainstream economics reduces institutions to the twin concepts of imperfection and failure (a problem in the real world because perfect competition does not exist), mainstream *institutional* economics sees institutions as constraints within which the 'instrumental rationality' of buying cheap and selling dear obtains. Markets are then reduced to the equivalent of their 'sub atomic particles', namely contracts. Contracts are stylised. Each of them is wrenched from their contexts. Then transactions are either examined counter-factually, substituting those pertaining to a supposed imperfect market; or the existence conditions of stylised pairs are compared and contrasted; or a rationale is assumed and its relevance to a given contract is tested <sup>41</sup>. Contractual rationales are drawn from a theoretical world which sees diversity in contracts as efficient, utility maximising responses to the imperfect organisation of property rights, information and enforcement capacities under conditions of environmental lags and uncertainty and of bounded rationality. (In turn, the latter is the inevitable consequence of informational uncertainty and limits to cognitive competence.) <sup>42</sup>

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<sup>41</sup> For examples see Hayami and Otsuko 1993 and (ed) Basu 1994. For critiques, see Majid, 1994; Rogaly, 1994 and Sanghera, 1992.

<sup>42</sup> Information and enforcement costs are components of a broader set of costs necessary to the making and protection of contracts ( even spot contracts) now known as transactions costs (TC). These costs include the costs of search and screening, of negotiation and of transfer of property rights, of co-ordination, and safeguarding ( Jaffee, 1990; North, 1990).

What is wrong with this approach? In an obvious way, it reduces the question of co-ordination to a limited subset from among the arrangements of the real world. From this it follows that changes in regulation require attention to the factors modelled and these alone. This way of looking at institutions diverts attention utterly from the task of explaining the purpose served by such a rich and persistent institutional diversity. Underneath the attempt to explain institutions in this way lies a much more intractable problem. This is that the notion that economic agents are maximising utility is non falsifiable. Anything is consistent with the assumptions behind transactions costs institutional theory. It is often argued that the theoretical argument that contracts minimise transactions costs because transactions costs minimisation is their function suffers from being tautological. The point, however, is that even though either proposition might be false, neither can actually be proved to be false because everything that might affect transactions costs minimisation and utility maximisation cannot possibly be measured or evaluated.<sup>43</sup> Further, agents are required to devise transactions costs efficient institutions while labouring simultaneously under bounded rationality and cognitive incompetence. In practice, the 'designers' of economic institutions labour under a canopy of historically evolved norms and habit patterns - a set of social institutions which filters the choices available by reducing into tractable forms the enormous (but uneven) superabundance of information that exists<sup>44</sup>. Then power is reduced in the new institutional economics to 'opportunism' - 'self interest with guile' and to the problem of designing contractual forms which would replace ones where such opportunism is practised<sup>45</sup>. Institutions, however, are the expression of systems of rights and values which can as easily reinforce power inequality as replace or challenge it. Finally 'opportunism' or self interest with guile is not restricted to employees or agents. As Weber pointed out, markets that are formally free are actually influenced by the distribution of economic power, by which he meant the legally

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<sup>43</sup> See Hodgson, 2001, pp 236 - 47 for a fine critique of the assumptions underlying new institutional economics.

<sup>44</sup> Sanghera, 1992

<sup>45</sup> Williamson, 1985



sanctioned power of control and power over disposal. "Money prices are the products of conflicts of interest and of compromises and ... they result from power constellations".<sup>46</sup> However, as Geoffrey Hodgson has argued, any set of criticisms relying on evidence about behaviour is open to the charge that evidence alone can never be used to show that the theory is false : 'models of utility maximising behaviour can always be adjusted to fit the facts...At that primitive level the issue is simple : the assumptions of utility theory cannot be falsified' (2001, pp244-5).

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<sup>46</sup> Weber 1978: 78,108

Theoretical problems aside, there are practical problems with the application of the TC world view. The meaning of stylised contracts may be plain wrong. Agricultural labour market contracts have been theorised incorrectly as congruent with specific types of work the nature of which determines the rationale. Eswaran and Kotwal explain piece rates in terms of incentives, reduced supervision costs on fragmented plots. Beck and call contracts thus reduce search costs while seasonal tying is a risk sharing mechanism between workers and employers where workers reduce the risk of lean season starvation and employers reduce peak season search costs. Actually, one task may be performed simultaneously under all three contracts; and employers and workers move continually between these three types (Rogaly, 1994). Significant intra-contractual variation in terms and conditions is observed in real markets. Correction is not a matter of more theory. Theory has already seriously outstripped the capacity to test it empirically. Yet it is only by means of such testing that the relative importance of competing explanations may be evaluated in specific instances. The restrictive conditions assumed to pertain to market contracts and their environment are not encountered empirically. Alternative theoretical explanations become at best parallel rationales under empirical conditions where initial circumstances are not only not controllable but usually unknowable. There may be parallel rationales but economics lacks the power to determine the determinants.<sup>47</sup>

Theory and applications apart, there is a world of difference between regarding institutions as constraints to a commercial logic and regarding the institutions of markets as inherent and essential characteristics of their functioning: as what society **is**<sup>48</sup>. The first approach invites policy to take the form of interventions letting individual markets more closely resemble perfect competition (with its assumption that efficiency is an uncontested primary value). A methodological trap is set here because under conditions of deviation from perfect competition, changes are necessary to **all** factor and product markets in order to achieve Pareto optimality

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<sup>47</sup> Majid 1994

<sup>48</sup> Respectively North, 1990; Ensminger, 1992 vs Etzioni, 1988:9 ; Hodgson, 1988.

whereas empirical research on markets generally assesses one commodity market alone. Also, since perfect competition does not exist in the world, the reduction of all 'deviant' motivations, structures and environments to the category of imperfection is uninteresting while the idea that the cultural richness of markets might be understood as the sum of all obstacles to a realisable, competitive, generalised exchange is the product of a pathological degree of romance in a paradigm.

### **determination**

If markets are bundles of institutions nested in others, we are nevertheless still a long way from knowing which are the key enabling institutions without which markets do not work, let alone from relating individual institutions to outcomes.<sup>49</sup> The only economists to have considered the issue of determination of market institutions in India have taken inspiration from Marx. Exchange and distribution are posited as logically and historically dependent upon production: *'a definite form of production ...logically...determines the forms of consumption, distribution and exchange, and also the mutual relations between these elements'*<sup>60</sup>. Yet, Marx also argued that changes in modes of distribution, which he attributed to both exogenous factors (such as the expansion of demand, or the locational readjustment of rural and urban populations) and endogenous ones (such as the concentration and centralisation of capital) would change production in a process of "mutual interaction" (ibid.). Marx's teleological proposition - that merchant's capital was in the vanguard of capitalist relations but by itself was unable to transform production relations - required this agnostic view of the issue of determination. Even here, this 'soft' notion of mutual determination is highly abstract. The non-market institutions necessary to the functioning of the capitalist system

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<sup>49</sup> This is not the only way to set about answering the question. Hodgson has started from an opposite ontological perspective, moving from universals in general systems through those in human society to general and specific features of capitalist social formations (2001, chs 18-21, see Table 21.1 p326-7). Hodgson's scheme of institutions is at a very high level of abstraction, higher than those considered in this essay.

<sup>50</sup> Marx (ed) McLellan, 1971:33

- and the institutionalised diversity embodied in all markets functioning within the capitalist system - are assumed away.<sup>51</sup> For Marx, the drivers of change operated at two levels which are left separated: on the one hand, contradictions between forces and relations of production; on the other, the consciously willed political activity of the makers of history.

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<sup>51</sup> Hodgson, 2001, p52 et seq

A number of attempts have been made to analyse exchange as being determined by the conditions of production. In such models, the notion of determination is conceived logically rather than historically. Krishna Bharadwaj's now classic research located the generation of the agricultural marketed surplus (and later the behaviour of labour markets) in material conditions and motivational logics which varied with class position. She stylised an **agrarian structure** of differentiated owner occupancy<sup>52</sup>. Large farmers produce for subsistence but dominate the supply of the marketed surplus and create prices. Middle peasants are self-sufficient and engage in market exchange as and when a marketed surplus is generated - in good times. Small peasants and landless producers (tenants) are both 'compulsively involved' in markets. While the very notion of a contract has elements of compulsion, Bharadwaj's influential concept of '**distress commerce**'<sup>53</sup> added compulsions grounded in debt. An indebted household was forced into having a negative net marketed surplus because it was compelled to sell grain at harvest time (to redeem debt) and to purchase grain preharvest (and to take debt to do so). Depending on the agrarian structure a more or less significant part of the marketed surplus would be dumped on the market immediately post harvest without a supply-price schedule at all. Suman Sarkar developed the implications of Bharadwaj's diverse exchange logics for multi-stratum price formation and showed how post harvest price fluctuations would be exaggerated as a result.<sup>54</sup> Wendy Olsen has relaxed the strong assumption of a **single crop** and used case material to show how distress commerce in one crop could be accompanied by an active resistance throughout most of the agrarian structure to market exchange in another crop.<sup>55</sup> However, in every case, although exchange was being

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<sup>52</sup> Bharadwaj K 1974; 1985; 1989. Although her model was for stylised conditions, Nadkarni, 1980, related her argument convincingly to conditions in Karnataka.

<sup>53</sup> Distress commerce has long historical roots. Not only was it a phrase current in the interwar crop marketing reports but also it was a mechanism of surplus extraction current, at least in dryland southern India, in the late 19th century (Washbrook, 1994).

<sup>54</sup> Sarkar, 1989

<sup>55</sup> Olsen, 1991, 1993 for groundnut and rice in southern Andhra Pradesh

theorised from actual conditions the most significant of which is assumed to be the configuration of class, markets themselves remained abstractions. Institutional change in markets is out of the frame. That crop **market structures** might vary in a given area in relation to the land relations in which each particular crop is embedded is an insight due to Nagaraj<sup>56</sup>. Olsen showed by contrast that the market structure for a given crop can vary on a local scale (from village to village) between monopoly - and interlocked control of a series of markets - to competition without interlocking, with a significant impact upon the class and crop specific terms of exchange.<sup>57</sup> Janakarajan's work has revealed how the structural characteristics of one market could depend on those of other markets bound together by coercive interlocked dyadic and triadic contracts.<sup>58</sup> Amit Bhaduri most controversially reversed causation and theorised the conditions under which a market structure (bearing a family resemblance to that of West Bengal's central paddy region twenty or thirty ago where control of land, money and trade interlocked and was highly concentrated and production was carried out through sharecropping) might determine and thwart the transformation of production.<sup>59</sup> In every case the word structure is used rather than institution. The key market structure is the concentration of commercial or mercantile assets. It denotes the degree of unchallenged control over both markets and production.

For all except the last, the structure of land control determines the conditions of crop exchange and the structure of the assets distribution in the relevant market. There is a strong implication, never explicitly discussed, of the kind of feedback relationship between production and distribution to which Marx alluded. My fieldwork in Tamil Nadu on the markets for five basic crops revealed a

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<sup>56</sup> Nagaraj, 1985 for areca and paddy in South Kanara

<sup>57</sup> Olsen op cit; Saxena , 1991, showed that eucalyptus marketing systems in Uttar Pradesh had huge local variations in market structure. Quite staggering price penalties were observed due to local conditions of monopsony.

<sup>58</sup> Janakarajan, 1992

<sup>59</sup> Bhaduri, 1986

broad regional correspondence between the degree of concentration of land holdings in production and that of assets in markets.<sup>60</sup> Later work on three food staples in West Bengal has been able to suggest how changes in land relations have, after a lag, resulted in corresponding changes in the structure of the assets distribution in the markets.<sup>61</sup> At the same time each of these market systems clearly had their own crop-specific character and institutional autonomy as well as great non-market institutional richness.

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<sup>60</sup> Harriss-White 1996, ch 9

<sup>61</sup> Harriss-White, 1995

Buying and selling is sealed by contracts. It has long been appreciated that a given contract tells us little about its role - either in productivity, in technical change or in institutional change. A given contract can also be explained according to multiple rationales each of which indicates a role. A tied contract for instance may be an efficient response to 'incompletely developed markets' for information and insurance, reducing transactions costs (hindering delinquency), smoothing price fluctuations and reducing uncertainty. It may be a social expression of caste power and/or trust. It may be a solution to the 'trader's dilemma'<sup>62</sup>. It may be an expression of the power and social control of the buyer (and financier) and of the seller's lack of power. It may also be a source of capital for the seller (and borrower). Tied trade may result from 'choice' in that the alternative will be agricultural or urban labour. But tied trade may be the **most free** a hardly assetted person can be; and when access to money, information, storage, processing and transport is attached by credit to a principal, the agent is rarely free to accumulate.

‘Each particular market is entwined with other institutions and a particular social culture. Accordingly there is not just one type of market but many different markets, each depending on its inherent routines, cultural norms and institutional make-up’ concludes Hodgson.<sup>63</sup> He forgot to add the special combination of physical qualities and cultural meanings which makes each kind of commodity unique and often has implications for the ways markets work. In the rest of this essay we examine the special nature - the quiddity - of key rural markets and then explore the way in which the key institutions without which these markets would not function sustain the process of accumulation in India.

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<sup>62</sup> The trader's dilemma opposes the accumulation dynamic with socially redistributive obligations ( Evers and Shrader, 1994). It may be resolved by traders' being social outsiders (as Marwaris still are in rural localities in West Bengal) in the restriction of trading to groups exempt from social obligations (as is more common with trading castes), investment in the accumulation of social rather than material status, restriction to petty trade or the depersonalisation of economic relationships, which we are arguing here is a very slow, unlikely to be completed process.

<sup>63</sup> Hodgson, 2001, p255



## land

Land is idiosyncratic. It is highly specific and immovable. Its soils and aspect are highly varied. It is steeped in symbolic significance. Given its importance as a factor of production, as a status signifier and as a component of political territory, in societies with established private property rights it is not surprising that the land rental market is usually more active than the land market *per se*. Nor is it surprising that both operate at a sedate pace. What is surprising is the degree of tenurial diversity and complexity in environments which might be plausibly thought to be 'transactions costs constant'. Take Bengal for instance. Before the Bengal Tenancy Act of 1885, at least 22 **types** of tenure could be listed.<sup>64</sup> Tenure is a juridical term, not an economic one. Over a century later, in the 1990s, in Birbhum district of West Bengal, there were found to be huge discrepancies between official classifications of tenancy status and real tenurial relations of which there was a great variety. The class of landlords is heterogeneous and big. Reverse tenancy<sup>65</sup> is common and can involve rental contracts between peasant landlords and capitalist tenants. Small landlords predominate in numbers, large landlords in area. Tenants may lease in from several landlords and landlords may lease out to several tenants. A substantial proportion of cultivable land is owner occupied and worked under modes of operation blending peasant and capitalist forms, 'pure' forms of which are rare.<sup>66</sup> Some land remains as common property. A substantial proportion of agricultural producers are entirely landless, working in the kind of labour arrangement to be described later. Tenurial forms may undergo rapid mutation and do not prevent

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<sup>64</sup> The purpose of the lists was for simplification by administrative fiat (rather than by the dissolving forces of commercial logic).

<sup>65</sup> Where the lessor is of inferior economic status than the lessee.

<sup>66</sup> In terms of labour relations, a pure capitalist would own but not work the land and would not hire himself or family members out at any stage. A pure peasant would not labour in or out.

the expansion of production - even though they shape the distribution of returns.<sup>67</sup> Although there is a tendency towards the supercession of share cropping by owner-occupiers hiring wage labour, a trend generally attributed to technical change and changes in costs and incentives, this does not replace other tenures but co-exists alongside and range of them, regardless of the land laws. Taking land rental contracts alone, fixed rent tenures co-exist with two named types of share cropping<sup>68</sup> each of which encompasses a significant parametric variation<sup>69</sup>.

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<sup>67</sup> Sen and Sengupta 1995

<sup>68</sup> Krishani where the cultivator's share is 25 % and Barga where it is 50%.

<sup>69</sup> Ghosh J.K., 1992, observes variation in the shares of product, by-product and inputs.

It is clear that contractual arrangements co-exist and persist over time. This diversity is not a temporary or transient phenomenon. How is it to be explained? It is possible formally to demonstrate that to achieve a given level of output, varied tenures require different sizes of farm and/or different production possibility frontiers (or technologies) and/or different inputs or types of labour,<sup>70</sup> i.e. **there must be differentiated and segmented agrarian structures and access to technology**. Majid, in a comprehensive review of rationales for sharecropping, concluded the necessity of a plurality of rationales for the co-existence of a variety of rental contracts in regions whose character is not known in advance. By 'character' was meant the **land holding distribution**. These land relations had consequences for **investment capacity, access to technology and power**. Contracts can be offered on the basis of take it or leave it or have to be bargained over and negotiated. Rationales for leasing out, which are supported in an agrarian structure dominated by large landowners, are different from those appropriate for a region of smallholder agriculture<sup>71</sup>.

What then is the appropriate spatial or territorial scale for the study of the institutions of the land market, for theorising their determinants and exploring institutional change? Political units shape legal frameworks but production conditions, including the characteristics of rental markets, vary by **region** rather than by political unit. Regions are defined through combinations of environmental and social qualities - the agro-ecology and the history of land relations. Majid's region, Sindh, in Pakistan, is most unlike the share cropping region of West Bengal which we discussed above. The agrarian structure of Singh is a more simple structure of rain-fed agro-ecology, landless workers and large landlords.

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<sup>70</sup> Patnaik U 1994

<sup>71</sup> The supervision constraint is predicted to be relevant to conditions with large principals while resource pooling, and the lack of tradability of family labour or bullock power will be relevant to the area leased out in smallholder conditions (Majid, 1994).

After thorough sifting of those few sharecropping rationales which were actually testable, the most compelling reasons for the existence and enduring persistence of sharecropping in Sindh lay in non-market **social institutions**: on the one hand the **households** of landlords - which set limits on the supervision of wage labour - more generally the lack of a market in supervision. On the other hand, the households of sharecroppers lacked a market for their family labour, particularly that of women and children in this Islamic agrarian society. Although moral ideas about the appropriateness of work for the age, gender and family status of an individual is due to Islam, it is not universally the case that religion sets the boundary to the labour market.<sup>72</sup> The best sustained reason for institutional change - in this case the decline of sharecropping - also involved a social institution. This was the **social rigidity of the contract parameters**, in tension with the distribution of returns to, and investment required for, technical change.<sup>73</sup>

## labour

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<sup>72</sup> Patriarchal power interacts with religious norms (Agarwal, 1995)

<sup>73</sup> See Agarwal, 1994, for a magisterial study of the rigidities of land rights to gender relations.

Labour also has idiosyncracies. It is the only type of commodity, the quantity and quality of whose output is affected by its attitude. Labour thinks about itself and its market is thus a set of social relations. Without this market food would neither be produced nor consumed. Ben Rogaly has investigated labour markets in villages in Bardhaman and Purulia districts of West Bengal where landless people are not free not to be agricultural labourers. Against this background of compulsion, as with the case of land, 'the labour market' is made up of a great variety of co-existing contractual arrangements, sprouting 13 vernacular terms in the two localities. Moreover, within a given contract, at any given point in time, pay could vary by up to 80 per cent, along with variation in other terms and conditions. The 'labour market' is thus a range of earnings moving seasonally at different rates. **Pace** labour contract theorists, neither labourers nor their households can be classified by contract as there is mobility between an array of them. 'Choice' of arrangement is not free. Nor is it hindered by lack of information; nor is it very obviously shaped by the type and size of transactions costs <sup>74</sup>. Nor does this pauperised labour necessarily seek the highest returns. Instead, contractual arrangements and returns to work are carefully revealed to be significantly anchored in the **regional structure of land control** which sets the parameters of need, in **ideologies of appropriate work and status, particularly pertaining to gender, caste and ethnicity and in spatial identity** <sup>75</sup>. The spatial unit or 'locality' represents an element of the agrarian power structure, a rich unit of social information, a set of relations of patronage and of collective solidarity. Here, **party political allegiances** also determine contractual advantage and disadvantage. Domestic work in labouring households is not mediated through the different male and female labour market returns.<sup>76</sup> Instead work is allocated according to needs conditioned by **household size and composition** and by conventions associated with **gender, age and kinship status**. All of

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<sup>74</sup> Lack of information is not the reason for tied contracts involving credit advances and beek and call commitments or for harvest bonding at below the going rate ( Rogaly, 1994).

<sup>75</sup> see Harriss-White and Gooptu, 2000, for an exploration of the embeddedness of Indian labour arrangements in gender, caste and locality; see also the work from south-east Asia by Hart, 1984, which reports similar findings.

<sup>76</sup> These are the factors used for explanation in the 'new home economics' - see Ellis 1992.

these are contingent in turn upon caste or tribal status and on locality. Domestic work is prior to labour market participation and its habituated allocation within the household is not merely a reflection of its various opportunity costs (if the latter are indeed calculable on commensurable time scales).

### **crop markets**

While every agricultural product has its own distinctive attributes, in general, agricultural supplies are characterised by being seasonal, decentralised, sporadic and often perishable. Co-ordination is thus of the greatest importance to distribution. My investigation into the key institutions shaping product markets will be drawn both from the paddy belt of West Bengal and from the Coimbatore region of the Coromandel plain in Tamil Nadu, a dry region of precocious capitalist agriculture where as many as 60 crops are produced and marketed <sup>77</sup>.

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<sup>77</sup> Harriss B, 1993; Harriss-White B 1995.

In both regions crop markets have highly concentrated assets distributions.<sup>78</sup> They are specialised and concentrated geographically. Commercial firms have a diversity of investments. An oligopolistic elite co-exists with petty trade in complex physical systems. Despite legal banning, these market systems are littered with brokers. This commercial class are the ‘masters of the countryside’ exerting an indirect but persistent control over conditions of production through their webs of credit. Commercial investments are increasingly hived off from **commercial capital** itself rather than coming from rent or profits in agriculture. Although entry to some niches is not costly, significant capital barriers deter entry to key points of market systems. **Caste, ethnicity** and **gender and physical site** still act in cases as absolute social entry-barriers. The caste and ethnic composition of agricultural trade is contingent upon **locality** and is highly path-dependent. Caste also still structures the agro-commercial workforce as thoroughly as it structures ownership. Gender interacts with **class** and caste to structure agricultural markets in what Kalpana Bardhan has called a 'plurality of oppressions'.<sup>79</sup> As traders, women are socially restricted to rural locations, periodic markets and petty scales.<sup>80</sup> They are generally also low caste and poor. Poor cultivating- and out-caste women make up 70 per cent of the deliberately casualised agro-commercial workforce and handle the bulk of the physical work. By contrast, women in agri-business families are used as one means of accumulation of trading capital via the transfer payments made at marriage.<sup>81</sup> As a rule they do not own mercantile capital themselves and on the rare occasions when they do, they are not allowed directly to manage it.

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<sup>78</sup> Gini concentration co-efficients for Coimbatore district's traders control over assets (0.66) output (0.82) storage (0.92) land (0.7) are much greater than that for local land control alone (0.48).

<sup>79</sup> K. Bardhan in (ed) Clark 1993

<sup>80</sup> They also do not fulfill the economic conditions by means of which state regulation would enable them to operate otherwise and elsewhere.

<sup>81</sup> The leisured lives of women in the households of big trading firms depend as much on labouring women as on male control over assets.

A diversity of modes of organisation of commercial firms co-exist (as do all possible combinations of forms of firm, farm and family organisation), though **joint family** operation is commonest. A joint family mode of operation has relations of governance dominated by the male control of men - patriarchy in its oldest sense. Task and effort in the family business are controlled by the eldest male, while rewards follow status in the business family. But economists have explained the joint family in a plurality of other ways: as a transactions cost minimising device or equally as an institution of collective action using unvalorisable trust relations - where transactions costs are not relevant.<sup>82</sup>

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<sup>82</sup> Hodgson, 1988



Price formation at the point of exchange with the producer is segmented not only by the specifics of class as we saw earlier but also by **custom**<sup>83</sup> associated with **site, locality and crop**. Prices are also affected by **the association of each end product with a subset of trading firms**, by **territoriality or spatial network** ( with a high degree of historical and geographical inertia).

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<sup>83</sup> Raw chewing tobacco prices in Coimbatore are formed by acre, by plant, by anticipated unit of cured product and the range within which they fall may vary by 100 per cent from year to year.

Of the four modes of contract formation: open auction, formula pricing, administered non-negotiable fiat and private treaty <sup>84</sup>, the last is commonest and the first rarest. The first is least representative and it is this price which enters state records. Collusive formulaic mark-ups are specific to place and crop <sup>85</sup>. Non-negotiable fiat is practised by the state in its procurement and issue of essential commodities. It may also happen in private transactions when there is a big discrepancy in the statuses of contractual parties and or urgency on the part of one. Private treaty is commonly verbal. Throughout the systems, contracts take relational, repeated forms. These are iterated throughout networks, whose contacts take years for an apprentice or entrant to develop. For acquired characteristics such as **performance-based reputation** are still less important than ascribed collective identities such as **caste and locality**. Networks of transactions are cemented by interlocked contracts involving money advances and goods in return. Great webs of tied trade can spread into the countryside with loans on centrifugally increasing interest rates <sup>86</sup>. Yet, while one crop can be produced and traded under these conditions, another commercial crop in the same region will be marketed at spot prices with immediate payment and a third with producers' financing trade rather than vice versa <sup>87</sup>. These always verbal contracts are laden with 'intangibles', with mutual, non-contractual obligations (e.g. for the lender and purchaser: to lend additional small quantities for urgent need, to distribute 'perqs', to give advice and act as a social and political intermediary; for the borrower and seller: to sell the entire marketed surplus or raw materials to the lender, to deposit cash, to labour, to be loyal). These unsymmetrical mutual obligations can be construed as incentives, or as forms of oppression. Alternatively they are relationships rooted in

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<sup>84</sup> Jaffee 1990

<sup>85</sup> Tiruppur cotton in Coimbatore and Memari potatoes in West Bangal.

<sup>86</sup> Crow and Murshid (1994) contrast a backward region in Bangladesh where tied trade, underlain by physical co-ercion, marks 70 per cent of contracts with an advanced region where only 8 per cent of contracts take this form. They take the view that technical change and commercialisation have not dissolved tied relationships; rather that the agrarian structural parameters of accumulation differ in the two regions.

<sup>87</sup> Respectively cotton, tobacco and groundnut in Coimbatore district.

the uncertainties of future outcomes.

The result of such exchange is not only an economic transaction but the reproduction of social networks and class relations. Power is expressed through relational contracts through payment lags which may be a) asymmetrical for a given firm b) delayed and c) uncompensated. Corporate capital is best able to delay and not to compensate for delay, thereby to stymie the accumulation possibilities of subordinate parties.

The **state** encourages repeated contracts through its selective practice of the laws of regulation, its relative weakness in relation to local commercial capital, the capture of state credit by agrarian elites and indirect commercial taxation. The latter is retrogressive but is the only alternative to income tax, which might be progressive were it not so widely evaded. The state is too weak to impose open auction and spot payment as in agricultural market law. Once elites capture credit and on-lend, the tied contracts evade official regulated market places. Commercial taxes also encourage pre-emptive transactions - far away from the scribes' pens. **Environmental risk and the accumulation possibilities of the agrarian structure** have to play a part in any explanation of the role paid by tied contracts. Environmental risks create conditions where long-term social and economic relations between producers and traders and among traders are needed so that short term credit can be activated when suddenly needed.

Other research on the transactions costs rationales for contractual arrangements in a wide range of horticultural and agricultural commodity markets has shown these cannot be related in a deterministic way either to the technical characteristics of crops (such as their perishability) or to performance outcomes.<sup>88</sup> Yet the 'performance' of such commodity market systems is frequently evaluated as efficient and competitive - as we saw at the start of this essay. Performance is a contested notion. Rates of return to agro-commercial activity tend to be variable but very high on

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<sup>88</sup> Jaffee, 1990

the average, far higher than those from any of the social strata constituting agricultural production, or from specialised moneylending or industrial production.<sup>89</sup> But market performance is conventionally measured by the behaviour of prices and prices alone. It is obvious from this discussion that 'price' is not only a reductionist indicator of performance but even **as price** it has to be assumed to mask more than it reveals. We saw that the rarest form of contract - the spot transaction - supplies the price data officially available. For what they are worth, our analyses of years of weekly price movements (in Tamil Nadu and in West Bengal) show these market systems as **not** 'short term integrated and efficient'.<sup>90</sup> Jorion has shown that in petty commodity producing societies in both Europe and West Africa, market prices have been found to fluctuate around a range of "natural prices" guaranteeing to the social groups with a material interest in these transactions rates of return about whose legitimacy there is some social consensus. Jorion sees price performance as reflecting not **ex post** the relative scarcity of goods but rather **ex ante** the social statuses and power relations of transacting parties. The appropriate structures determining performance would then be the relevant **social groups**.<sup>91</sup>

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<sup>89</sup> Harriss, 1981, Harriss-White, 1996 for Tamil Nadu; Harriss-White, 1993 for West Bengal

<sup>90</sup> **Pace** the early and extremely influential correlation and regression analyses: see Harriss, 1979 for a critique; Palaskas and Harriss-White, 1993 for West Bengal and 1996 for Tamil Nadu.

<sup>91</sup> Jorion, 1990; 1994: 163-6. This neo-Ricardian theoretical notion is being widened for conditions of generalised, non face to face exchange (Fourquet, 1989, 1990; Caille, 1994), but has yet to face empirical tests under such conditions.

The question of the determination of, and changes in, the institutions of market economy is impossible to answer in general terms because of the large variety of factors thought capable of determination and the problems of systematic empirical measurement. The comparative evaluation of short term efficiency is an art rather than the science in which it is dressed because there is no de-institutionalised alternative for comparison.

Even more of a problem for the measurement and evaluation of efficiency is the prevalence of institutionalised illegal contractual behaviour and **economic crime**. This goes unchecked because of the lack of enforcement institutions, or it is 'checked' by means such as bribery and corruption. Braudel dismisses this behaviour as 'elementary fraud'.<sup>92</sup> In these markets, such crime is perpetrated against producers and consumers (tricks with weights and measures, arbitrary deductions, collusion, adulteration)<sup>93</sup>, against labour (failure to provide minimally decent conditions as specified under the Factories Acts, forcible suppression of the right to form unions), against other intermediaries (when there is a big difference in status) and against the state (false billing, permit forgery, failure to report, theft and unlicensed activity).

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<sup>92</sup> 1985:55

<sup>93</sup> All illegal under the Agricultural Produce Markets (Regulation) Acts. This is not to argue that all trading firms practise such crime; but it is commonplace enough (see also hairraising details in Janakarajan, 1993). Nor is it to argue that crime and markets are exclusively associated with one another.

If corruption is theorised as the development of property rights over (subsidised) public resources, positions and promotions in conditions of institutional scarcity, the venal official is put centre-stage in the market clearing operation <sup>94</sup> (and this is easily generalised to the private interest state, the case against which accompanies the case for the market). The commercial corruption entangling rural markets is different in three ways. First, it extends up, down and between the executive, legislative and judicial branches of the state, and is accompanied by subtle threats of blackmail. Second, corrupt and uncorrupt enforcement co-exists. Third, corruption is deployed less to gain access to scarce resources but to avoid giving them up. It is the accumulation drive rather than the private interest state which seems to me to be central to these relations. Mushtak Khan and K.S. Jomo argue that in Asian economies it is to be expected that the client (operating in markets) is more powerful than the patron (in the state).<sup>95</sup> Resources denied the state through evasive activity far exceed those denied it through corruption.<sup>96</sup> The process of accumulation via markets is primitive not only in the sense of being primary or original (logically and historically prior to and necessary for capitalist enterprise) but also in two further ways. It is the product of economic force and it is buttressed by the **practice** of law. <sup>97</sup> Just as capitalism requires labour to be unfree <sup>98</sup>, it also requires original accumulation prior to the productive investment of capital. While the period of generalised primary accumulation is a matter of history, the modern Indian

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<sup>94</sup> Jagganathan, 1987, reviews the literature and theorises elegantly to this effect, see also Wade, 1985.

<sup>95</sup> Khan and Jomo, 2000

<sup>96</sup> Roy, 1996

<sup>97</sup> Primitive accumulation is discussed as a stage in the history of capitalism at vivid length in Marx, Capital Book 1 ch 24.

<sup>98</sup> compelled by the absence of property to enter into market relations in order to gain access to the means of life (Wood, 1994). Braudel shows how access to common property resources has to be constrained; Rogaly how the physical movement of labour has to be controlled; Williams (1986) how legal status as a citizen and the right to work wherever have had to be controlled and Banaji (2001) how the free labour contract, whether entered into freely or through compulsion, once entered into, is a relation of co-ercion.

economy leaves space for primary accumulation to co-exist with ‘more advanced’ forms of capitalist accumulation.

Markets like these create and are reinforced by a distinct **mercantile politics**, not, like that of labour in West Bengal, embedded in party patronage and the electoral process. By means of collective mercantile institutions, threats from labour or from the state are fended off. Lobbies act 'self interestedly with guile' to elicit concessions from the state, usually during the implementation of regulatory interventions. The local business elite finds officiation in local institutions of philanthropy, education, culture, administration and religion useful in the trawl for social contacts with state officials. These are increasingly buoyed by kinship. It also allows effective control over urban property. This is a reactive, opportunistic and defensive form of politics and it has proved highly effective.<sup>99</sup>

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<sup>99</sup> Abrams, 1988

## UNROMANTIC COMMODITY MARKETS AND UNROMANTIC STATES

By now it will be obvious that the argument popularised by the Washington Consensus that market imperfections are caused by state interventions will not wear. Yet it is not to be doubted that many institutional idiosyncracies are caused by the encounter of markets with the state.<sup>100</sup> In the interstices of markets like those described here, state policy forms at various levels as intention, is encoded in law and custom and is implemented. At every stage it is contested. The state is one institution among many, shaping and shaped by markets. Yet it is a disproportionately important institution because its control over the means of co-ercion gives it the capacity to exert leverage. Further it is the only institution able to create a field of rights and corresponding institutions of obligation, however flawed in practice.

The state is subject to the same lexicographical cornucopia as is the market. Rather than an abstract, Weberian, rational legitimate authority, 'the state' will be construed here as 'what it does'. It is a set of institutions of political and executive control, 'a palpable nexus of practice and institutional structures centred on government' (Abrams, 1988). Distinguished from the actions of policy rhetoric, the non-rhetorical actions of the state - juridical, financial and institutional - are conditioned by its complex of bureaucratic structures.<sup>101</sup>

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<sup>100</sup> e.g. verbal cash spot contracts (the legally correct form!) in the Coimbatore groundnut market to evade commercial taxes; seasonal land leases in West Bengal to evade the registration of tenants; small scale technologies (almost always most cost effective) in multiple units with casualised labour to evade the obligations of the factories Acts.

<sup>101</sup> The prior questions of the social embeddedness of these structures has received extremely little empirical attention. See Goetz, 1995, Sengupta, 1998, Sud, 2003 and Fernandez, 2003 on the gendering of specific state-administrative institutions.



Polanyi's abstract market, his '*self-regulating commerce*' was so '*destructive...that the state was obliged to install protective countermoves without which human society would have been annihilated*'; '*The introduction of free markets, far from doing away with the need for control, regulation and intervention, enormously increased their range*'<sup>102</sup>. Imprecations in favour of the 'eradication of the middleman' which were hurled for decades in otherwise sober documents championing state intervention in Indian markets are squeamish by comparison with Polanyi's verdict. In theory, the state **can** regulate production, prices, output and supply, flows, consumption and demand, sites and locations, size, structure, conduct, quality and standards. In fact the state has for centuries attempted to control agricultural commodity markets in order to tax them in return for a modicum of physical security and even less of hygiene<sup>103</sup>. Since Indian Independence, food (being as commanding a height as fuel, kerosene, steel, liquor, textiles, fertiliser and public utilities), has been subject to a large set of regulations, from ceilings on farm size and floors on agricultural wages to measures to regulate conduct in, compete with and partially replace private markets. With respect to products, the state has intervened in finance, taxation, regulation and infrastructure, cooperation, technology, storage, price policy, and public sector trading. Agricultural markets are exposed to the majority of state government departments and central government ministries.

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<sup>102</sup> Polanyi, 1985:76,140

<sup>103</sup> Even the Arthashastra, written some 1850-2300 years b.p., has sections on trade regulation and consumer protection (see Mooij, 1999).

Until very recently, all these measures have been anti-mercantilist in the sense of apparently intending to reduce the power of private trade, whatever they have been pro-. Interventions have been phased-in in an unco-ordinated way from the early thirties. Prices, structure, conduct and physical flows have been regulated. Each institution has expanded, become increasingly diversified and functionally differentiated, has been centralised, puffed up with technological gigantism and gradually has settled into position in the hierarchy of bureaucratic power. Many state institutions regulating markets have made profits, often for unexpected and unintended reasons <sup>104</sup> while some were never intended to <sup>105</sup>, and have not. The outcomes of this kaleidoscope of regulation co-ordinating market and non-market activity were never as predicted (and hardly ever predicted) and have been extremely complicated to sort out. They include complete neglect (child labour); regionally patchy implementation (market regulation); sabotage and capture (storage; co-operation; targeted credit; Factories Acts obligations); implementation in the form of threat alone (market regulation); incompetent implementation (perverse procurement <sup>106</sup>); evasion by powerful traders and imposition (helped by bribes) upon weak ones (storage controls), the co-option of private trade by the state <sup>107</sup> and vice versa <sup>108</sup> lastly, final control over interventions in markets by the Reserve Bank of India and other state-regulated banks. When regulatory law is

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<sup>104</sup> Storage corporations have cleverly booked to multiples of capacity knowing client institutions' propensity to overestimate; regulated markets make profits from the fees they levy, despite massive evasion and non-compliance.

<sup>105</sup> Those state trading institutions responsible for stockholding and trading at set and subsidised prices.

<sup>106</sup> Perverse procurement is state purchase at administrative prices in times of scarcity rather than glut for disbursement in times of abundance rather than dearth (see Harriss, 1977, 1985 (In BHF book))

<sup>107</sup> As when private traders become procuring agents and/or paid advisers or trainers, when access to privileged information about the state trading corporation can result in advantageous sales and purchases, the benefits from which can be shared between the paid agents/ consultants and outside suppliers

<sup>108</sup> As when the judiciary and police are put on retainers to prevent court challenges to, or disruptions to, technically illegal marketing practices.

both over-specified and uncontingent and instruments for enforcement are weakly resourced <sup>109</sup>  
then law is unimplementable and state administrative legitimacy further weakened.

Regulation is then not a legal framework, so much as a political resource. As a result, hybrid property relations and other institutions breed, not only benignly through kinship and social network but savagely via novel contractual arrangements now increasingly requiring private protection forces <sup>110</sup>.

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<sup>109</sup> The Regulated Markets Act in one south Indian town is enforced by a poorly paid staff of three for a market place giving livelihoods to an estimated 25,000.

<sup>110</sup> Such as the five-way contract consisting of seller, carrier, local regulator (and perhaps onwards up a bureaucratic hierarchy) mafiosa and purchaser; see Mooij, 1994 and Mani, 1994 for fine case studies of the Essential Commodities Act and the Monopolies and Trades Restrictions Practices Act respectively.

Only at an abstract level do state and market exist separately and as alternatives. Market and state may be melded by institutionalised interests in an effort to use regulation to extract resources from other parts of society. One of the most important of the motors of corruption is the accumulation of resources necessary for political bidding in elections. While public choice theory predicts that deregulation will 'clean up' the state, what happens is different. Deregulation and state compression intensifies the struggle for what is left in state control. The accommodations described here reduce the resource base available to the state for redistribution. The use of black surplus is of more than passing interest because it represents the opportunity cost of government revenue. By no means always unproductive, though that seems its tendency, the main feature of black surplus is its high degree of concentration. A broader social base for development is very obviously forfeited by such arrangements.<sup>111</sup>

All markets require regulation: rights to exchange property by means of trade, conventions about the scope of economic behaviour, about legitimate tender, mechanisms to establish prices, rules about liability and penalties for delinquency. When the state does not provide it, other institutions step in - a great diversity of them in India. First, at the level of the firm, family forms of organisation, repeated contracts and contractual routines protect against external threat, compete only to avoid competing, act as brands and reinforce cultural identities. Second, collective action ensures the preconditions for this institutionalised protection of market shares: collective ownership and maintenance of sites, protection of property, economies of scale, reduction of transactions costs, resolution of disputes and insurance. At the same time these associations can erect entry barriers, practice collusion and impose extra-legal oppressive penalties on outsiders. At the same time they are open expressions of social coherence, piety and philanthropy. Unregistered, they exist in a gathering profusion. Institutions of regulation are then both multi-layered and narrowly institutionally interested.

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<sup>111</sup> Roy, 1996; Kumar, 1999, Banaji and Mody, 2001

Civil-social political institutions in private markets play a distinctly ambivalent developmental role. In the circumstances described here, markets need them to develop in an orderly fashion, yet this order may institutionalise distribution in ways which may penalise much of society. Their operation, reinforced by mercantile politics, causes the state to become more accountable, but accountable to merchants. Any attempt by the state to de-regulate unromantic markets has to deal with the political fact of the proliferation of regulative institutions. A minimalist state with developmental ambitions (or political compulsions) might not wish to leave regulation entirely in the hands of business associations because they so obviously function to protect their own interests.

## CONCLUSIONS

*'Theory is romantic because it leaves history out'* (Braudel, 1985:27)

*'Theory is no substitute for social criticism, the one form of intellectual activity... that has no cachet at all'* (Lasch, 1995:193)

*'Social problems are much more complex than scientific problems'* (Feynman, 1992:240)

Much has had to be missed out in this unromantic account of Indian's agrarian markets, a compromised, if not unravelled, state project and of an uncivil capitalist society. Important agrarian markets are untouched here, in particular those for water and money.<sup>112</sup> Industrial markets do not appear.<sup>113</sup> The regulation of the corporate sector and its finance is another project altogether.<sup>114</sup> And discussion of information, of culture and of technology appear only in passing.

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<sup>112</sup> For water see (ed) Moench, 1994; and for money see (eds) Bouman and Hospes, 1994.

<sup>113</sup> But see Mani, 1994, for an analysis of their structure in India and of the perverse impact of liberalisation.

<sup>114</sup> Mukherjee-Reed, 2001, 2003; Banaji and Mody, 2001

A series of further binary opposites which litter the literature on the economics of institutions are hardly explored: efficiency versus equity; choice and freedom versus compulsion; trust versus power; resource allocation versus resource extraction and the ethical substrate - whether markets need generalised morality or not, or are instead processes of struggle between a plurality of notions of right and wrong.

If history de-romanticises theory, historians of markets have themselves been guilty of a romanticism. Theirs celebrates the emergence of a civilising butterfly from the chrysalis of non-market modes of co-ordination and under-plays the elements of coercion and compulsion needed for a market economy to develop. Neoliberal market romanticism is of a different nature, failing to recognise either the theoretical limitations to markets or the incapacity of markets by themselves either completely or decently to structure social life. It mis-attributes some contingent effects mediated by markets to necessary characteristics of them and assumes away as

‘contingent’ other institutions which are structurally necessary and whose *diversity* is structurally necessary.

In the markets illustrated here, there are no impersonal abstract mechanisms at work, neutral among competing claims. While in its pure form 'the market' is independent of other social institutions and competition is parametric, the case studies have shown the many ways in which 'actually existing markets' may be embedded - the many institutions over and above the state without which markets do not function.

- in the intrinsic qualities of the thing marketed - its quiddity - including culture-specific meanings and definitions of what may and may not be marketed.

- in motivation of which there are many of different 'weight' <sup>115</sup>: in the domain of achievement, subsistence and survival on fixed income goals to the maximisation of absolute net profits using a pluralistic calculative rationality; affiliative motivation via a variety of obligations to kin, caste,

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<sup>115</sup> Mc Clelland, 1995

employees; avoidance of, or fear of, obligation; and power and assertiveness, in particular, the legitimacy of the venality which allows co-ercive, criminalised relations and primitive accumulation;

- in the size and composition of basic social units (firm, farm and family) which condition assets, motivations and 'fall-back positions' in markets;
- in age and the status brought by age and the siting of the individual within the family, farm and firm, which affect the type and amount of work and the returns to work and which are not mediated by price;
- in social institutions, important among which is the regionally and historically varying structure and distribution of ownership of the main assets and means of production and distribution; and also technologies (which structure the supplies to, and on, markets);
- in locality, as a site, as a specific and varying element of the assets structure, as a unit of information and of (sometimes contradictory kinds of) political organisation. Locality and spatial patterns have high degrees of 'path dependence' and 'inertia' over historical time;
- in ethnicity, caste and religion, which are continually reworked to structure relations of trust and power, create political networks, proscribe certain forms of market exchange or work and sanction others, constrain market entry, express and legitimate motivation and shape the regulative behaviour of the state;
- in gender, as an ideology and as a system of control, both of which operate in markets in ways which are structured by these other social institutions. Gender sets the terms and conditions of participation of men and women in property ownership, transactions, production, markets and household and social reproduction;
- in the state (as regulator, as a saboteur of its own rule of law, as a competing trader, as user of markets as its agents of distribution and as its sources of revenue, in corrupt and hybrid political coalitions, in networks of nepotism).

The institutions in which market exchange is embedded are not constraints. It is not that there is a

simple neutral market mechanism which is 'socially patterned'. Rather market exchange takes many economic forms and economic, social and political institutions are the ways by which it emerges and has meaning. These institutions will change as markets change but this change is not brought about by markets alone. There is currently no theory- either specific or general - of the development or co-evolution of the institutional matrix of markets.

The fundamental diversity of all formative institutions, the extent to which firms tend towards the unique, the historical co-evolution of the complex institutional matrix in which markets are ordered, its present day collective quiddity, the relation between institutional change resulting from change in the economy and that owing to change outside the economy, all these are what makes the Indian economy, or Indian capitalism, specifically Indian.

It is accidents of fortune rather than competition that operate with indifference in such markets.

Local may co-exist with global. But that local is embedded does not mean that global is not embedded. Are new markets and markets for new goods, the sort a liberalising regime wants to have develop, embedded like this? Some markets for new goods are quite deliberately planned, competitively structured and regulated by (international) corporate capital: modern agricultural inputs and consumer goods for instance. However beneath this competitive veneer, the small capitalists usually selected as marketing agents are the expression of the kinds of institutions listed above. Can the deeply embedded markets described here co-exist with an entirely unembedded capitalism enthroned at the apex of a national economy or floating around the entire globe? Can unembedded market exchange be imposed? I am doubtful. The ideas that market behaviour has non-economic as well as economic dimensions and that 'the market' is inextricably interwoven with social and political institutions is relevant at a global scale. The task for scholars is to find the appropriate scale at which to seek to understand both the instituted nature of the market and agency and dynamism within the market. We need better to understand the 'articulation' between



kinds and scales of markets and to mould realistic representations of the range of market and non-market modes of co-ordination. While the latter flourish and sometimes atrophy, they are always necessary to it for they enable accumulation to take place.

The developmental role of markets is distinctly ambivalent. In theory 'the market' expands production, and 'merchants capital' has a dual role, being capable of both facilitating and hindering increases in production. Returning to the quotations at the start: 'markets' - the agricultural markets discussed here - are never perfectly competitive and their comparative efficiency is impossible to measure or evaluate. Their innovations are rarely other than derivative. Their disciplines and undoubted vitalities can be pauperising (not just to firms in the process of competitive weeding but to producers, consumers and employees). They may create livelihoods but they cannot **ensure** them. Nor can they limit exploitation. Nor can they by themselves lead to sustainable environments. They require vast amounts of information to operate at all effectively. And they need strong regulatory mechanisms in order to curb oppressive abuse.

At this point, mainstream, neoliberal economists, asked for implications for policy tend to work their way down a checklist of deformities needing removal so as to nourish pure and deinstitutionalised perfect competition. As Gerry Rodgers caricatures it, "the policy implications are straightforward: such impediments should be removed" <sup>116</sup>. Market romanticism aggrandises the role in economic development of such economic discourse and technocratic professions. Market romanticism enables the comfortable certainty of generalisation and specific forecasts at the stage of formation of policy agendas - but without responsibility for the consequences. It is usual (because it is the result of the theory) to point at information, transport and telecommunications as 'impediments' and to ignore almost all the factors discussed here.

In the perspective used in this essay, such an approach is seen to contain contradictions and

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<sup>116</sup> Rodgers, 1989:1

irresponsibilities. The principal contradiction which has been explored here is that the extension of markets dominated purely and solely by profit and utility maximisation would themselves undermine the very non-contractual elements within a market system and the non-market institutions outside it which are actually necessary to its functioning. Further, in an unequal pre-existing distribution of market assets, such an untrammelled extension would also deepen differentiation within market systems and reinforce the kinds of contracts which reflect inequalities of power. That it would ultimately be self defeating does not seem to have occurred to champions of neo-liberalism.

The principal irresponsibility is the analytical residualisation of the very state- and political-process. The latter is ultimately invoked as 'neoclassical market therapist of last resort' and furthermore supposed to be capable of doing away with itself! In political economy, the role of the state has to be brought back in and understood in its specificity. So also does the 'largescale industry' of development policy advocacy.<sup>117</sup> For this to happen, the empirical and normative aspects of research in political economy need to be more closely related. As Bernstein concludes "*(t)his generates a very different perspective on policy issues, now conceived in terms of better or worse forms of regulation rather than 'less' versus 'more'*"<sup>118</sup> Since each market has its own local idiosyncracies and power structures, regulative law either has to take these into account or be condemned to pertain consistently to a level of abstraction above which markets actually function.

'Better regulation' cries out for policy to be **deconstructed into its political components**: the

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<sup>117</sup> It seems to us that North (1995) is right to stress that "it is politics that shape economic performance" (and not aid agency advisers) "because they define and enforce the economic rules of the game". But North is immediately on less secure ground when he adds: "Therefore at the heart of development policy must be the creation of politics that will create and enforce sufficient property rights". While new (and new-old) institutional economics casts policy in institutional engineering terms, it is much at a loss to explain who "creates politics"....

<sup>118</sup> Bernstein H 1995

political processes generating agendas and priorities; the creation of policy procedure in all its social forms; the manner in which breaches are adjudicated; the politics of resource mobilisation, allocation and public access.<sup>119</sup> While the Washington-New Delhi consensus seeks to streamline the state, more modest changes in the legal framework are overlooked. If markets need **re-regulation**, the law needs to be implementable. Even though it might be thought preposterous to see conspiracy rather than incompetence or ignorance at work behind the making and the practice of regulatory law, the intentionality of policy is a major issue for research. Moreover, collaboration between lawyers, advisers formulating political or developmental goals and people with concrete expert knowledge of real markets<sup>120</sup> is a sine qua non for reform.

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<sup>119</sup> Schaffer B B 1984; Harriss-White 2002b QEH website

<sup>120</sup> These would be educated traders rather than academics, though the involvement of traders faces acute problems of incentive and loyalty.

The detail of possible reform is well outside the scope of this essay <sup>121</sup>, but certain elements can be outlined: reforms to reduce the intense specification of market conduct deemed lawful and instead to delineate unacceptable transactions would legitimate a broader transactional space (the least that transactions costs economics teaches us) and curb those kinds of contracts whose oppressive character derives in part from the pre-emption of inappropriate law. A systematised and centralised system of market administration, taxation and enforcement (because markets operate spatially over a variety of administrative-cum political scales) could replace the multiple, diffuse and localised ones existing now which are so much weaker than the forces they are mandated to control. Minimum wages and access by labour (whether openly employed or disguised as petty producers and traders) to worked-out and enforceable institutions guaranteeing social security are of the first order of importance. Laws and rules need to operate via positive incentives rather than negative stricture. Improvements to jurisdiction need making at their institutional boundaries, where one set of rules (such as those for private markets) currently meets others (such as those for state trading, commercial taxation or co-operation) in a procedural no-man's-land.

The non-state **material interests in contention with markets** have the political potential of defining and controlling antisocial market behaviour: in the case of rural commodity markets, they are producers, consumers, market labour, commercial capital from other markets or other regions and industrial capital. None of these interests (consumer consciousness, trades unions, farmers' movements) have had the political clout to send home more than a fleeting swipe at mercantile interests in many parts of South Asia.

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<sup>121</sup> but see Harriss-White ( in Stein and Subrahmanyam, 1996) for the details and the arguments from political economy which justify them. The method is due to Shaffer, 1980.

Change in the complex of institutions in which markets are construed will also change market structure and behaviour, but in directions hard to foresee. Such changes come from all the compass points inside and outside the economy - and not only from prices and technology. If Indian capitalism is a social solvent,<sup>31228</sup> it works sluggishly (to say the least) at the local level. In fact if anything the reverse seems true: because capital accumulation relies on social institutions (which liberalisation does not address at all), the effect of liberalisation is not to abolish or transform those in which markets are embedded but to encourage them to re-work themselves as economic institutions and to persist. In the era of liberalisation and globalisation, the structural adjustment that is taking place is not only the replacement of state-planned development, and 'custom', by market and contract. It is also the intensification of the relations between markets and the 'non-market' institutions which markets cannot operate without.<sup>1231</sup> *Gender* relations are the most resistant to change, and operate to advantage men quite disproportionately to women in the class which accumulates; there is no reason to see liberalisation as capable of transforming them. *Caste* and *religion* are much more flexible. They are consolidating themselves as institutions that may generate exclusive, networked forms of accumulation and corporatist forms of economic regulation and that tend to operate to control labour to the advantage of capital.<sup>1242</sup> In practice, moreover, far from dissolving religious bonds liberalisation has been associated in certain regions with intensified religiosity. The real fluidity lies not in the solvent force but in the speed with which such collective identities are intensified.

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<sup>122</sup> <sup>38</sup> The view of scholars such as Lal, 1988 and Panini, 1996

<sup>123</sup> <sup>1</sup> See Harriss-White 2003

<sup>124</sup> <sup>2</sup> Basile and Harriss-White 2000

Instead of a drastic reduction in the premium for political power predicted by the theory of liberalisation we see a new phase of mass political assertion of this power. In the meantime, the state's projects and programmes aimed at promoting livelihoods for, and the upward mobility of, lower castes are completely at loggerheads with the objectives of liberalisation. Even if they are constrained, their abolition is not an option. The state cannot avoid its role for low and scheduled caste aspiration. Further, the state is so riddled with fraud and corruption that an enormous 'shadow' has grown up around it which depends on it and feeds off it. Long ago Gunnar Myrdal called the Indian state a 'soft' state. If anything it has become softer - Weber's 'steel cage' has rusted - while the social structures around it have hardened. It looks less and less like the instrument of market rationality that the advocates of liberalisation envisage. Perhaps for such reasons, deregulation is cooped up in a mystifying discourse which prevents it being let loose on - and understood by - the people.

That there seems to be no short cut in the study of markets is depressing for scholars in the academy who will not seize the empirical nettles and be stung by their surprises. Sting they will for, as Jacques Attali said with prescience as early as 1994 **'Conflict is more likely now that the Cold War has ended and the market has triumphed... for inequality will cleave the new world order as surely as the Berlin Wall once divided East and West'**.

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