The Political Analysis of Markets: Editorial Introduction

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Article

This *IDS Bulletin* stems from a dissatisfaction with the way in which the idea of ‘the market’ or ‘the free market’ is currently used in conventional discourse on developmental issues. One notion is particularly dominant, implicitly or explicitly: ‘the market’ seen as a flexible, atomistic realm of impersonal exchange and dispersed competition, characterised by voluntary transactions on an equal basis between autonomous, usually private, entities with material motivations. This etiolated model of the market derives from the universe of neo-classical economists and, in the world of development policy, serves to provide intellectual support for their prescriptions. This ‘ideal-type’ market has been elevated to the level of an ideological principle and ethical ideal, providing a policy panacea which promises both efficiency, prosperity and freedom.

Like most ‘ideal types’, this model has considerable intellectual power and contains important elements of truth. But think of the contrast, for example, between Max Weber’s ideal-type ‘bureaucracy’ and the complexity and variability of administrative institutions in practice. If one wishes to understand the structure and dynamics of markets in the real world, this model of the market is a simplistic and misleading caricature which can obstruct understanding and distort policy. It abstracts from and overrides important and systematic variations in real markets which are very important in dealing with the precise and practical development problems faced by decision-makers. (For a forceful exposition of this point, see the collection edited by Hewitt de Alcantara 1992.) The model also abstracts from social, cultural, political and institutional dimensions of real markets which cannot be sidelined as extraneous impurities, but function as inherent, and in many cases essential, features of markets in the kaleidoscopic diversity of economic life. Real markets are permeated by power relations of various kinds; they are embedded in social processes which may, for example, involve class exploitation or gender subordination; and they are saturated by divergent institutions, ideologies, ethical and cultural values.

In part, this state of affairs reflects the intrusion of academic neo-classical economics into the policy world; in the words of Ron Dore (1992: 160), the phenomenon whereby economists take everyday life from their concepts instead of their concepts from everyday life. Moreover, economic reasoning based on

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rational choice and utility maximisation has been extended outside economics to analyse social institutions (notably the work of Gary Becker 1976) and politics (in the form of the so-called ‘new political economy’, which is neither new, nor is it political, except in a contextual sense). More recently, however, there has been an intellectual counter-current with the rise of new paradigms of analysis such as the ‘new economic sociology’ (Granovetter and Swedborg 1992) and ‘socio-economics’ (Etzioni and Lawrence 1988; Coughlin 1991) which have criticised the narrowness of traditional economics and argued the need for economists to incorporate social processes into their analysis. Much of this pressure has not come from rival schools of academic thought, but from people involved directly in the practical world of economic institutions and policy, notably prominent business schools in the United States preoccupied with pressing problems of industrial organisation and national competitiveness. This kind of thinking resonates with our own world of development analysis which has all along emphasised the need for an inter-disciplinary approach which recognises the complex and inextricable inter-relations between economic, social, cultural and political phenomena.

The main theme of this IDS Bulletin reflects my own concern as a political scientist that, by and large, conventional economic theory, in most of its manifold incarnations, has either ignored or downplayed the role of power in economic processes generally and in markets in particular. The article by Baland and Platteau provides a balanced evaluation of contributions made by different strands of economics to the analysis of power, concluding that, while certain advances have been made, particularly more recently, the ‘normal’ science of economics has only been able to achieve a limited and partial understanding of the phenomenon. Alison Evans also takes a critical stance in her account of the limited capacity of institutional economics to analyse the role of power in the formation and maintenance of social institutions in agricultural labour markets, particularly in relation to gender discrimination. John Cameron proposes that the deficiencies of neo-classicism can be remedied by a tradition of analysis that leads from Ricardo to Keynes, and tests his ideas in the context of a study of Keynes’ own analysis of the crisis in the British textile industry in the 1920s. Likewise, David Evans suggests ways in which a combination of the ideas of John Roemer and John Rawls, and economist and a political theorist, can be developed to understand the power relations inherent in the international economic system.

Particularly to people outside the ‘normal’ discipline of economics such as myself, the latter seems to be afflicted by a strangely rarefied and systematically evasive ‘power blindness’ which flies in the face of the structural and operational characteristics of real markets and is a severe impediment to understanding and policy prescription. Perhaps it is time to take economists on at their own game: they have used a ‘choice-theoretic’ framework derived from economics to analyse social and political processes; let us develop a
‘power-theoretic’ framework derived from the study of politics to analyse economic processes. This *IDS Bulletin* makes an initial step in this direction by exploring the possibilities for a political analysis of markets in a collaborative endeavour involving contributors from the disciplines of economics, political science and sociology. The purpose of this Editorial Introduction is briefly to present the major ideas which have motivated our collaboration.

We are using the term ‘political’ here in a particular way. Conventional political analysis has two basic traditions: one identifies the ‘political’ narrowly with the state and the formal political system; the other takes a broader view, defining ‘political’ analysis in terms of the nature, distribution and exercise of power in the society as a whole.¹ One can refer to these simply as the ‘state-based’ and the ‘power-based’ view of politics. The term ‘political’ is used here in the latter sense to refer to the process whereby power is mobilised and exercised to achieve individual, institutional or collective goals by means of cooperation, compromise, conflict, domination, exploitation, coercion and the like. These latter terms are merely a part of the rich language of politics which pervades everyday discussion of economics. Politics thus pervades the society and economy and is not confined to the system of formal public politics centring on the state. From this perspective, markets can be thought of as complex political systems with their own specific distributions of power and diverse sets of power relations. This *IDS Bulletin* seeks to improve our ability to think systematically about ‘market politics’ and to identify the various forms it takes amid the bewildering diversity of real-world markets which confronts development policy-makers, advisers and researchers.

This framework of political analysis is set out in detail in my own contribution to this *IDS Bulletin*, so I shall merely present a brief outline here and suggest how it relates to the articles in this collection. Market politics is seen as a complex phenomenon involving at least four basic forms, which I am labelling π₁-π₄ for convenient reference:

i the politics of state involvement (π₁), a familiar process involving, on the one hand, state *regulation* of markets through economic policy and the creation and maintenance of institutions vital to market operation and, on the other hand, direct state *participation* in markets as an economic agent through institutions such as parastatals and marketing boards. This is the realm of *state power*. Several of our authors deal with π₁ in the context of widely differing markets. For example, Barbara Harriss-White analyses different patterns of state regulation of food-grain markets in three areas of South Asia, identifying the consequences, for market organisation and outcomes, of varying levels of effectiveness in state regulation. At the international level, Harriet Friedmann highlights the growing contradiction
between the internationalisation of production, exchange and investment, and the weakening of state regulation at the level of the nation-state; she also warns of the dangers posed by the currently weak institutional capacity for international regulation of an increasingly recalcitrant but unpredictable global market.

**ii the politics of market organisation** (\( \pi_2 \)), whereby market participants act collectively, in concert and in conflict, to alter the operation of a market in their own interests, often by setting up systems of *internal regulation* separate from external regulation introduced by the state. This is the realm of *associational power*. Cameron deals with this dimension of market politics in his account of Keynes’ advocacy of formal cartelisation of the British textile industry to solve the world crisis of over-production in the late 1920s. Cawson draws on the Weberian tradition in economic sociology to provide a fascinating insight into the widely differing effectiveness of British and Japanese industrial associations in a bitter contest for domination over the British consumer electronics market. Harriss-White documents the importance of the merchants’ associations in the politics of South Asian food-grain markets – internally in defending them against rising labour organisations and externally against the threat of state infringement on their interests. Abdelgalil Elmekki and Jonathan Barker document how a combination of the state and merchants have dominated peasant farming in Sudan’s agricultural markets and how peasants have responded to an increasing, politically-induced agrarian crisis by seeking to resist through new forms of organisation at the local level.

**iii the politics of market structure** (\( \pi_3 \)), whereby the specific structure of power within a market in terms of control over economic assets and opportunities affects interactions between market actors in ways which have structurally differential impacts on the choices and interests of those actors and may (depending on the structure of a specific market) involve relations of dependence, dominance and exploitation. This is the realm of *economic power*. For example, David Evans provides a wide-ranging analysis of current inequalities in the international economic system and relates these to major dimensions and mechanisms of economic exploitation and domination. At the sub-national level, both Janakarajan and Olsen analyse the ways in which the power relations rooted in agrarian markets in South Asia – based on patron-client ties, or on ‘interlocking’ markets for credit, output, labour and land-lease – can act to reinforce market inequalities and perpetuate the dependence and vulnerability of less well-endowed actors through systematically unequal exchange.

**iv the politics of social embeddedness** (\( \pi_4 \)), whereby the power relations inherent in social/cultural institutions, ideologies and value-systems condition the shape and dynamics of market processes. This is
the realm of social power. In her article, for example, Alison Evans draws attention to the impact of gender differentiation and ideology in weakening the power of women within agricultural labour markets. Wendy Olsen identifies the effect of ethical perceptions of market exchange between patrons and clients as a reinforcement of asymmetrical power relations in the Indian context and calls for more research on this cultural/ideological dimension of market power.

This has been a frustratingly brief introduction to the ideas we seek to explore and the issues we seek to raise in this IDS Bulletin. It raises far more questions than it answers, but I hope it has whetted the appetite of the reader to go on to the more detailed and systematic exposition of the central idea of ‘market politics’ in the following article and to the later, more focused, contributions which throw light on the complex and elusive ways in which power and politics operate within markets.

Notes

1 For an approach which defines politics as a pervasive feature of all social life, see Leftwich (1990).
References


