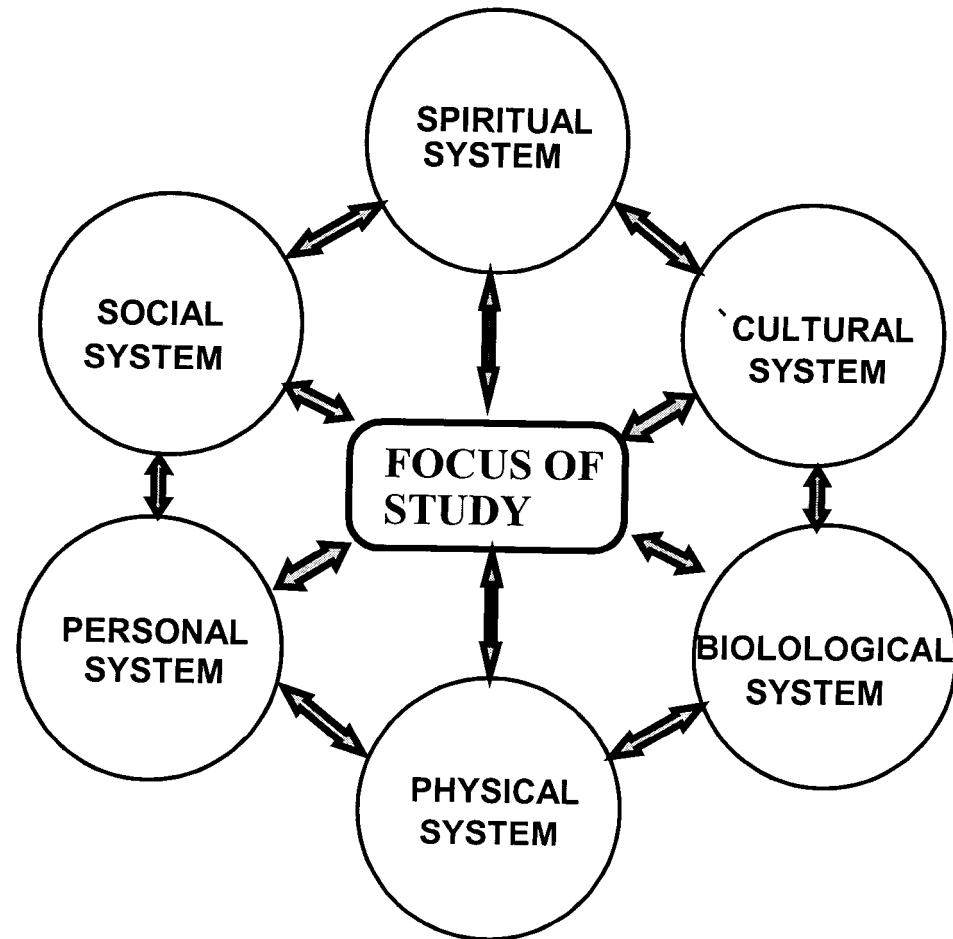


ECONOMIC

A Systems Approach to the Study of Humans



DIMENSIONS OF SOCIAL SYSTEMS

- **social**
- **economic**
- **political**
- **legal**

ECONOMICS:

THE NATURE, ALLOCATION, AND USE OF RESOURCES.

- Land, houses, tools and other property.
- Labor, skills, knowledge and other abilities.
- Rights such as fishing rights.
- Other things of value that can be owned and restricted.

ECONOMIC SYSTEMS

- Reciprocal systems:
 - gift exchange, sacrifice, awards, offerings, gratuities, bribes
 - **to build relations and to distribute goods**
- Redistribution systems:
 - patron-client, taxes, insurance,
 - **to build security and equality**
- Market systems:
 - barter, market trade, banking, credit, stock and money markets
 - **to produce economic gain**

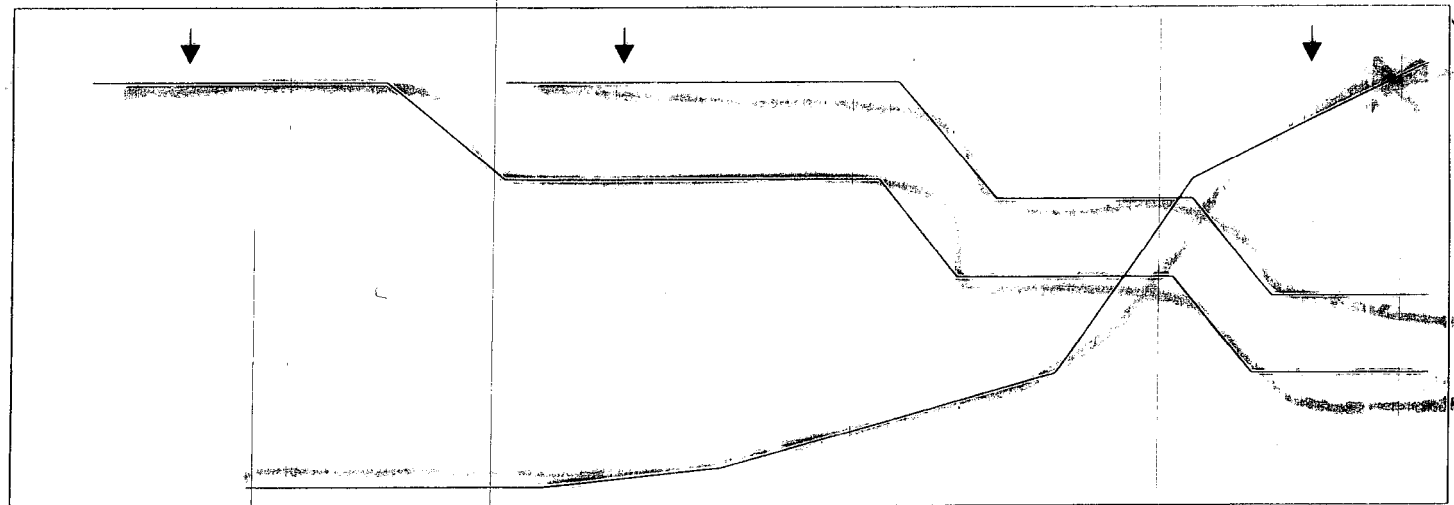
SURVEY OF ECONOMIC SYSTEMS

**Exchange
Systems:**

Reciprocity

Redistribution

Market



**Subsistence
Systems:**

Foraging

Horticulture

Pastoralism

Peasant

Urban

(based on ethnographic, not quantitative data)

Eloise Hiebert Meneses
Eastern College

RECIPROCAL SYSTEMS

- **society first:** subordination of own needs to others
- **exchanges are obligatory:** acknowledgment of interdependency
- **generosity is valued**
- **exchanges are reciprocal:** possible competitiveness, dishonesty
- **exchanges are personal and balanced**
- **example: foraging societies**

ELOISE MENESES

WHAT IS A GIFT?

SATISFYING OUR WANTS

**“Wants can be satisfied
by producing more, or
desiring less.”** Marshal Sahlins

- WEST: produce more . . .
 hedonism.
- EAST: want less . . .
 asceticism
- CHRISTIAN: ???

REDISTRIBUTIVE SYSTEMS

- high level of political organization
- exchanges mark lines of authority
- exchanges are personal and obligatory
- hierarchy is valued
- political system takes priority over economics
- examples: tribes, caste systems, socialist and communist systems

HINDU

MUSLIM

Priests

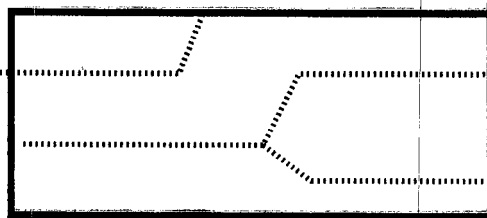
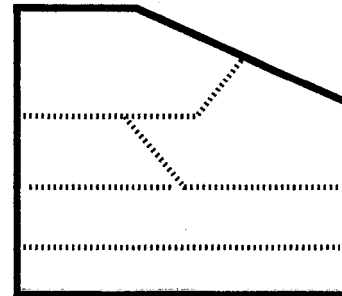
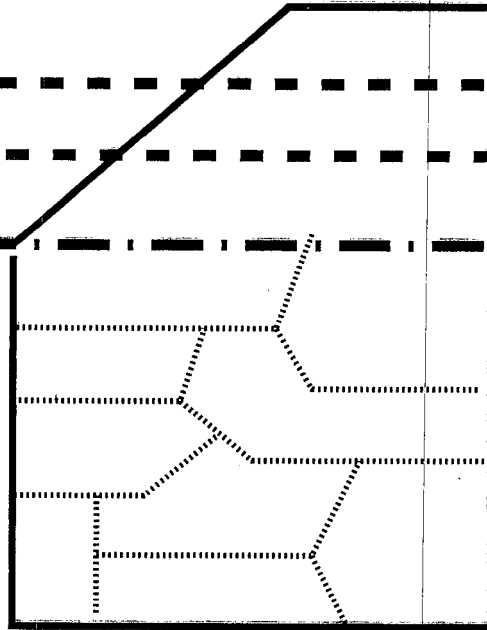
Rulers

Merchants

Workers

CLEAN

**UNTOUCH-
ABLE**



JAJMANI SYSTEM

Priest

Govt. Off.

JAJMAN

Carpenter

Ironsmith

Potter

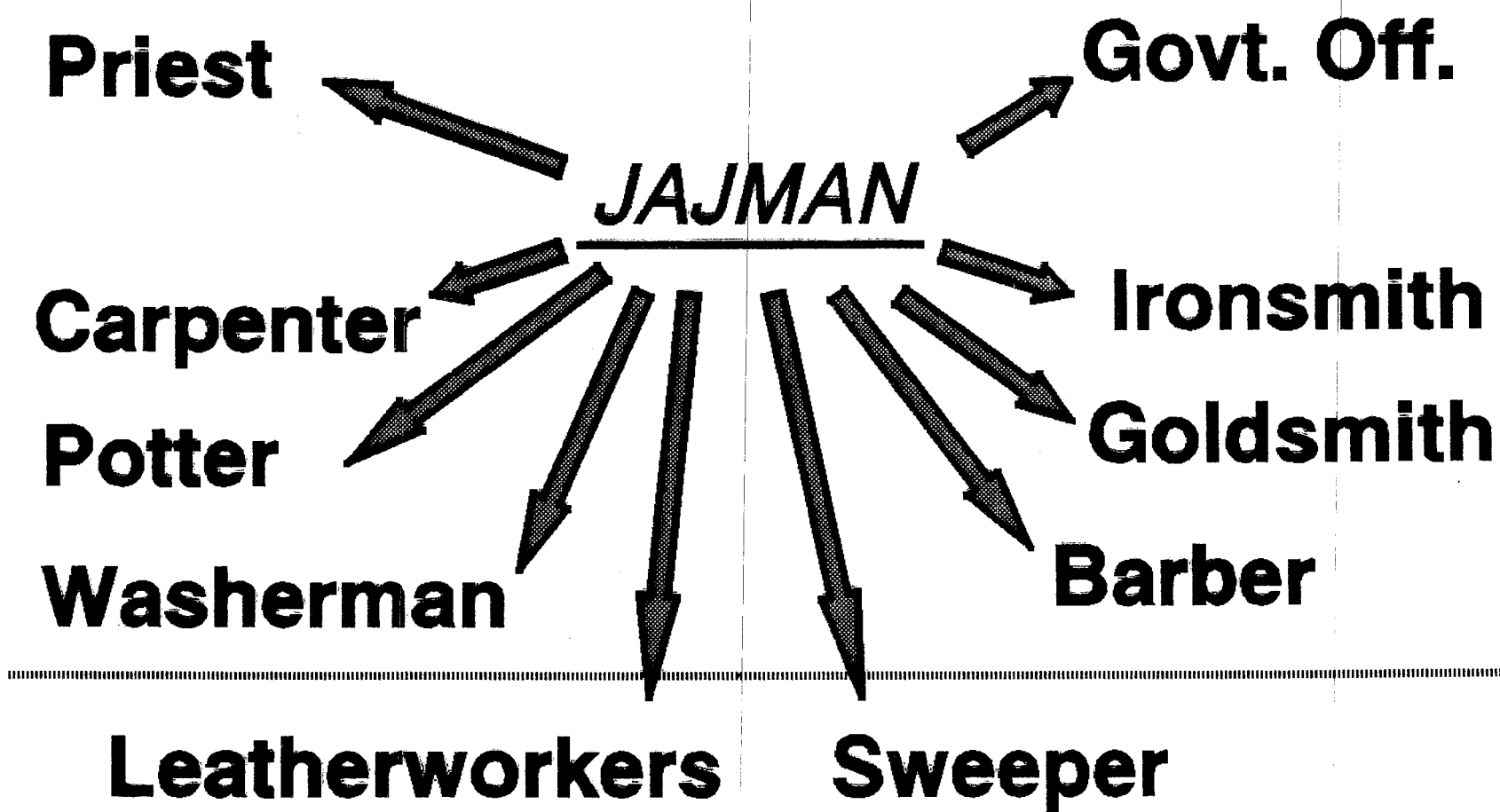
Goldsmith

Washerman

Barber

Leatherworkers

Sweeper



MARKET SYSTEMS

- highly interdependent
- exchanges are impersonal
- exchanges are free-can walk away
- individual self-interest is legitimized
- exchanges are for utility
- honesty is possible and valued
- competition is valued
- equal opportunity is valued
- generosity is stupid
- explosion of technology and wealth

- disparities in wealth are justified
- volatility due to complexity
- individualism, the denial of interdependency
- **economy first**
- examples: capitalist societies, global economy

TYPE OF MARKET SYSTEMS

1. RELATIONSHIP BASED SYSTEMS:

- contracts based on knowledge of and relationship the other**
- cost of building relationships is high**
- cannot delegate tasks to others**
- requires a minimum of social order**
- difficult to build large markets too big to depend on relationships**

TYPE OF MARKET SYSTEMS

2. LAW BASED SYSTEMS:

- contracts based on legal system that enforces them**
- cost of building and maintaining legal system is high**
- build bureaucratic institutions and delegate tasks to others**
- requires a high degree of social order**
- can serve large markets too big to depend on relationships**

CAPITALISM:

. . . an economic system in which most of the means of production are privately owned and production is guided and income distributed through the operation of markets.

(Encyclopedia Britannica 1998, 831)

CAPITALISM:

The economic system in which goods and services (down to the most basic necessities of life) are produced for profitable exchange, where even human labor power is a commodity for sale in the market, and where, because all economic actors are dependent on the market, the requirements of all competition and profit maximization are fundamental rules of life. (Ellen Wood 1999, 2).

CAPITALIST ASSUMPTIONS

- **salvation through human progress**
- **humans know their true needs**
- **humans pursue ends that benefit society when free to follow market demands**
- **individuals find identity and meaning in freedom and prosperity**
- **capitalism cares for its marginals**

MYTHS OF CAPITALISM

- **free markets:**
 - markets work best when unrestrained by govt.
 - markets are disciplined and guided by an invisible hand.
- **rational markets:**
 - market forces seek a natural equilibrium among prices and production.
 - buyers and sellers make rational choices about what to sell or buy.

- **human progress:**
 - free markets force people to search, innovate and design products that benefit society.
- **human freedom:**
 - humans have a natural tendency to be capitalists when obstacles are removed.
 - market forces compel authorities to loosen barriers to release this human tendency.

- **the rise of cities is linked to capitalism:**
 - demographic model- we need a critical mass of people for markets to be self-sustaining.
 - commercialization model-cities are places where law prevails, rural where social relations prevail. Markets require depersonalization.

***CONTRACT
CULTURE***

A ↔ B

EQUALITY

INDEPENDENCE

CONTRACT

**AUTONOMOUS
PERSON**

***PATRON-CLIENT
CULTURE***

***A
↑
↓
B***

HIERARCHY

DEPENDENCE

OBLIGATION

**RELATIONAL
PERSON**

LOANS IN PATRON-CLIENT SOCIETIES

- **Loans are made to build relationships. People are honored to be asked for a loan.**
- **People with resources should lend to those in need. Friendships are built with gifts.**
- **A loan must be repaid only when the lender needs the money more than the borrower.**
- **Creditors do not volunteer to make repayments. They must be asked to do so.**
- **A loan is never fully repaid.**
- **Before a loan is repaid, a new one is made.**

LENDING RULES: Market

- **borrow for financial reasons**
- **borrower takes initiative to repay loan**
- **borrower makes regular payments**
- **pays back principle + interest**