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STATES, MARKETS AND SOCIETY – NEW RELATIONSHIPS FOR A NEW DEVELOPMENT ERA

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Towards a Political Analysis of Markets

Gordon White

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Abstract This 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 development issues. One notion is particularly dominant, implicitly or explicitly: ‘the market’ seen as a flexible, atomistic realm of impersonal exchange and dispersed competition, characterized 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. The main theme of this 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.

1 INTRODUCTION

The basic rationale for attempting a political analysis of markets has been briefly laid out in the Editorial Introduction to this Bulletin. During the 1980s, ‘the market’, or the ‘free market’ became the key catchword of international development discourse and took on virtually magical qualities as a developmental panacea. In the world of ideas, it was an intellectual juggernaut given political force (and therefore intellectual credibility) not only by the dominance of neo-liberalism in the key metropolitan countries (notably ‘Reaganomics’ and ‘Thatcherism’), but also by the notion of ‘market socialism’ in the former (and, in the case of China, still) state socialist countries. As a powerful ideological slogan, it had to rely only partly on its intellectual and practical plausibility. I have been constantly appalled by the simplistic way in which ‘the market’ is introduced into policy debates, not the least in the Chinese context with which I am the most

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familiar, where 'the market' has taken on the aura of an unproblematic economic and political saviour.

Fortunately, some of the ideological dust seems to be settling in the early 1990s and the time is ripe for a basic reconsideration of both the concept and the reality of markets. Much of the intellectual and practical case for the beneficial economic consequences of markets is now widely accepted across the political spectrum. Now we need to take our understanding of markets one step further. At the conceptual level, it is important to move analysis away from an overly abstract, simplified and ideologically loaded conception of markets which, when fed into policy, can have damaging results. To do this, it is necessary to go beyond the rarefied categories of conventional economic analysis: through innovation within economics itself and the introduction of ideas from other disciplines, ideally fused or overlapping in a cross-disciplinary fashion. At the empirical level, an effort to 'deconstruct' the market is all the more pressing in a new global politico-economic context in which the old polarity between 'centrally planned' and 'market economies' has been replaced by a situation in which, while only 'market economies' are on offer, it is becoming increasingly clear that there is a wide range of variation between market economies. Today, we talk about the differences between Japanese and Western capitalist market economies; in future we will have to talk with much more precision about a far wider variety of market economies which differ in fundamental ways (Korean capitalism, Chinese capitalism, Brazilian capitalism). If the neo-classically derived paradigm of 'the market' was inadequate in the past in elucidating the dynamics of real markets, so much more in the future as the range of systemic diversity increases. The kind of analysis presented in this Bulletin represents merely one component of a much wider intellectual and practical dissatisfaction with the conventional paradigm of the market and its practical effects in the industrialized, industrializing and Third Worlds.

2 A POLITICAL ANALYSIS OF MARKETS

The main points of my argument have already been stated in the Introduction to this Bulletin. The abstract conception of the market deriving from neoclassical economics overrides **variations in real markets** which are very important for considering and tackling practical problems of development. (For this issue, see Mackintosh 1990.) It also abstracts from **social, political and institutional aspects** of real markets which cannot be dismissed as 'exogenous' factors but are inherent, and indeed may be essential, characteristics of the functioning of markets in the real world. In particular, conventional economic analysis of markets by and large ignores or marginalizes the presence of power which is a glaringly visible characteristic of real markets and a political analysis of markets is needed to reveal the manifold ways in which power and power relations influence the structure and operation of real markets. Using a power-based notion of the 'political', one can classify the politics of markets into at least four major forms: the politics of state involvement; the politics of market organization; the politics of

market structure; and the politics of social embeddedness. My purpose here is to discuss these ideas and arguments in more detail.

First, we need to be more clear about the notion of power. The concept is much discussed and contested. (For valuable treatments of the concept, see Bardhan 1991 and Lukes 1986.) Much of the discussion tends to revolve around what could be called a **behavioural** and a **structural** view of power. The first concentrates on power mainly in dyadic relationships between two agents; superior power is reflected in the ability of agent A to influence the calculations and behaviour of agent B to the effect that agent B chooses to do something which he/she otherwise would not have done (with the implication that B is somehow worse off as a consequence). If one views a market as made up of a myriad of individual exchanges, this micro-level notion of power is essential for understanding the specific dynamics of each exchange event. However, the behavioural notion of power has severe limitations. It tends to take the initial endowments of power resources of each agent as given and is not concerned to inquire whence they came, preferring to focus on the mechanics whereby power is exercised. However, each real market is a patterned set of social relations with its own specific constellation of power; if the power relation involved in a micro-level market exchange is to be understood, therefore, it must be situated in the context of a structural analysis of this wider system. The power-patterning of markets affects an agent's choice by determining the boundaries of available choices, influencing the operational calculus of the chooser and shaping the relative attractiveness of various choices. A combination of behavioural and structural analysis also allows us to capture the dynamics of the operation of power within markets as a systemic **process** in which agents make their own market history, as it were, though not within circumstances of their own choosing. Just as spectacles are usually preferable to monocles for good vision, the behavioural and the structural conceptions of power are both essential to understanding power in markets.

If we incorporate this idea of power within our understanding of markets, their characteristic economic features embody political processes of conflict and cooperation and political relations of domination and subordination. From this viewpoint, therefore, market man or woman is less interested in bartering and trucking' or making rational choices in response to given signals and more interested in seeking to protect, consolidate or extend their power within the market. For example, Victor Keegan (*The Guardian*, 9 June, 1991), commenting on an OECD report warning about the escalating dangers of oligopoly in the industrialized world, notes wryly that 'The natural state of the sentient capitalist is one of unqualified monopoly, with qualified monopoly as decidedly second-best, but often the condition to which competition and regulation reduce him'.

This notion of the market as an arena of power struggle between competing interests is conveyed well by Alan Cawson who notes (1988)

that: 'The real world of trade politics is a far cry from the notion of competition as an impersonal mechanism for allocating resources, and much closer to the idea of economics as war pursued by peaceful means'. Here Cawson is drawing explicitly on an intellectual tradition deriving from Max Weber who made a similar analysis of prices and money:

Money prices are the product of conflicts of interest and of compromises; they thus result from power constellations. Money is not a mere 'voucher for unspecified utilities', which could be altered at will without any fundamental effect on the character of the price system as a struggle of man against man. 'Money' is, rather, primarily a weapon in this struggle; [money prices] are instruments of calculation only as estimated quantifications of relative chances in this struggle of interests:

(Weber (1922) 1978: 108, cited in Granovetter 1992:8–9)

Weber is referring here to the specific instrumentalities of economic power. However, power is a protean phenomenon and power resources in markets are many and various. We would therefore wish to extend our analysis to involve **four dimensions of market power** – the state, association, economic assets and socio-cultural status (labelled p1 to p4 for ease of reference). Each of these constitutes the basis for a specific **form** of market politics. The **substance** of market politics is characteristically about a number of issues: about the position of an agent or agents in relation to others within a market and their differential ability to extract resources through exchanges with other market participants; about the rules of the game and the nature of market institutions; and about the boundaries of the market (for example, with the public sector or the household). **Participants** in the politics of a specific market may involve both actors in that market, actors in other markets with intersecting exchanges and interests, and in other social spheres, such as the family or the state.

With these analytical clarifications in mind, we can now investigate each of the four categories of market politics in more detail.

π1 The Politics of State Involvement

This is the most familiar arena of market politics since it is commonly discussed under the rubric of the state-market paradigm. Our analysis differs from the latter in two respects. First, the conventional state-market paradigm predisposes us to think in dichotomous terms of two distinct spheres: on the one side, there is the realm of politics which has to do with the state and other institutions making up the system of formal public politics; on the other side, there is the realm of economics in which economic agents of diverse kinds produce, exchange and distribute through the modality of markets. In the real world, of course, the realms of state and market, public political and economic systems, are densely and inextricably intertwined. Second, rather than separate the realms of politics and economics as the state-market paradigm does, we regard **both** the state/public political system **and** the economy

as matrices of politics – from this perspective, ‘economic’ events and processes are not ‘outside politics’ or ‘non-political’ but themselves embody diverse forms of politics.

State involvement in markets takes two common forms. The first is when the state, usually through one of its specific institutional components, is a **direct participant** in a market through direct control over production, accumulation or exchange (for example, industrial parastatals or state farms, state banks, agricultural marketing boards). State enterprises may play a monopolistic role in the provision of key industrial inputs to downstream private firms, notably energy and basic raw materials such as steel and coal. The state may play a crucial monopsonistic or hegemonic purchasing role in a variety of markets: for example, as contractor for the services of private defence and telecommunications industries in Western European nations (Cawson *et al.* 1990) or in the purchase of agricultural produce in many developing countries. In the latter case, the work of Jonathan Barker (1989) and Robert Bates (1981) has been particularly valuable in tracing the political dynamics of interactions between state agencies and peasant producers in the context of African agricultural markets. Bates, for example, analysed African agricultural markets as political arenas characterized by specific constellations of conflicting political actors and interests and showed how these political dynamics led to consequences which were economically deleterious but, from the point of view of state actors at least, political rational.

The second dimension of state involvement in markets is that of **regulation**, a phenomenon which has several layers of market penetration. The first layer is the relatively superficial one of **parametric** policy intervention by the government of the day to facilitate market operations, correct market distortions, achieve social or developmental goals and the like. At a deeper level, the state’s involvement is **pervasive**; it is the source of a complex network of institutionalized arrangements which permeate markets and influence the way they operate: for example, the legal definition of property rights, licensing laws, standardization of weights and measures, creation and validation of money and the regulation of contracts. At an even deeper level, state power **saturates** market exchange in invisible ways, an immanent quality which is redolent of Michel Foucault’s ‘capillary’ notion of power which acts to ‘permeate, characterise and constitute the social body’ (Foucault 1976, in Lukes 1986, 228). For example, in the context of a highly developed consumer market characterized by a dense network of state regulation built up coral-like over a long period, a simple transaction such as buying a bar of chocolate is saturated by state power, which may regulate hours of sale, precise measurement or description of contents, the positioning of chocolate on the counter and its proximity to other goods, the environmental soundness of its wrapping, the price paid and the nature and value of the money used to pay for it, and so on (and this is disregarding other provisions regarding its production and distribution).

The nature and degree of this institutionalized saturation by state power is intellectually important for classifying different types of markets and measuring their degree of 'maturity' and practically important in conditioning their operational effectiveness. This 'institutional patterning' of markets by state power needs more investigation since one of the features of the development of markets seems to be that this role is increasingly transferred from more traditional social institutions such as kinship, religion or locality (which we discuss under the heading of $\pi 4$) to the modern state, a process of historical 're-embedding'.

$\pi 2$ The Politics of Market Organization

This is a form of power and politics internal to the market, whereby participants in the market act to alter the operation of the market to favour their own interests and enhance their capacity to pursue them. They may do this among themselves or in cooperation/conflict with actors outside their specific market (in the state or in other markets). To the extent that their action results in the creation of established rules of the game or institutionalized practices within the market, this form of politics can result in what might be called '**endogenous regulation**'. At its roots, this represents an attempt to achieve 'organizational transcendence' of the market through various forms of collective action.

From a Weberian perspective, this can be seen in terms of two concomitant and competing processes: **social closure** or **usurpation**. Successful social closure undertaken through the collective action of market participants results in the establishment of conditions which protect or extend the market position of those actors, often at the expense of other groups within the market. Usurpation represents a counter-attack by threatened or subordinated actors, such as workers or consumers, to improve their power within the market (these notions are discussed in depth by Parkin 1979). As Cawson (1988) remarks, these 'social bonds which develop out of self-interest between "competitors"... are not an aberration from the free market but define the essence of the exercise of power in the market'.

The exercise of associational power takes a number of commonly observable forms, of which three are particularly important: formal association, network and hierarchy.

Formal association provides much of the substance of the politics of 'civil society' and takes a wide variety of forms, e.g. business associations, commodity cartels, trade unions, consumer groups and professional associations. For example, highly skilled professionals provide classic examples of occupational groups which feel themselves threatened by a potentially fully-functioning competitive market and organize to evade or transcend it. Their strategy is based on what is called 'credentialism' (which is a major symptom of the 'diploma disease') which gives rise to institutionalized mechanisms operating to define and protect their own privileged position in the market and to limit the claims of other (actual or potential) market participants.

Obvious cases which spring to mind are the medical and the legal professions.

This phenomenon raises interesting questions about the role played by the formal associations of ‘civil society’ within the market. Current political discourse tends to regard civil society as a ‘good thing’, particularly as a bulwark for freedom and autonomy in the face of potential state Leviathans. But what about its role in relation to the market? Opinion is much more divided on this issue. Some argue that the exercise of associational power has a **negative** economic or developmental effect since it creates unearned rents and thereby distorts the ‘proper’ operation of markets; others argue that such organizations may have many **positive** effects, for example in amassing and distributing information, setting and monitoring standards, and providing mechanisms for arbitration or sanctions. This needs more thought and investigation.

Networks take a variety of forms, the basic idea being that of **informal coordination** and **cooperation** between market participants, individuals or firms, who are ostensibly competitors in the market. Powell (1990), who has documented the importance of networks in the craft, construction, publishing, film and recording industries in the United States, calls this ‘patterned exchange’ which ‘looks more like a marriage than a one-night stand but there is no marriage licence, no common household, no pooling of assets’. The network is a distinctive, semi-institutionalized form of interaction which counteracts the workings of a competitive market. (For a useful discussion of the idea, see Granovetter 1992: 9–13.) Examples would include collaborative ventures between firms, or agreements about market share or price based on reciprocity, trust and mutual dependence. Industrial economists have identified networks as a crucial ingredient in the success of local industrial regions in Western Europe, notably the cases of Baden-Württemberg in Germany and Emilia Romagna in Italy. (For example, see Schmitz 1992, and Best 1990). Students of East Asian business systems have also documented the crucial importance of networks in coordinating activity between firms in Japan (in fact, Kumon 1992 has called Japan a ‘network society’) and between business and government in China (Wank 1992). In current discourse on industrial development, the economic role of networks is regarded as positive, not the least because they have been identified as one component of a number of highly successful economic experiences in Western Europe and East Asia. As in the case of formal associations, however, networks could well function as ways of amassing unproductive rent as ‘conspiracies against the public’, so the phenomenon needs more investigation before any form of policy prescription can be advanced with confidence.

Hierarchy: I am using Oliver Williamson’s word here (1975) to describe the most fundamental form of social closure within the market, the firm. In Williamson’s view, the firm, and the hierarchy which it embodies, should be seen as an attempt to internalise transactions and

resource flows that might otherwise be conducted in a more costly fashion in the market; it is the substitution of the visible hand of the manager for the invisible hand of the market. In other words, firms are 'islands of planned coordination in the sea of market relations' (Richardson 1972). While Williamson does not incorporate power into his analysis, the firm is in fact acting as a '**governance structure**' (Coase 1937) and as such is a node of power and a rich field of micropolitics – of authority, control, cooperation and domination. From a power perspective, the firm can be seen as a kind of 'combat unit' designed for battle in the market; hierarchical controls operate internally to maintain the discipline necessary to carry on the market struggle, competitive or otherwise, in ways which are economically advantageous to the firm's owners, private or otherwise (in the Marxist tradition this involves the extraction of surplus value). The firm expands and contracts, and changes its 'foreign policy' and internal organization in response to changing conditions in the market. As recent discussion of the rise of 'post-Fordism' in the industrialized countries has suggested, the relationship between the micro-politics of markets at the firm level and the politics and economics of markets at meso/macro levels is interactive and highly dynamic.

π_3 The Politics of Market Structure

This is a conception of markets as a structure of power relations between agents with differential control over market-relevant material and mental assets. At the micro level, participants come to specific markets with unequal endowments in terms of resources (cf. Sen's notions of capabilities and entitlements; 1984, chaps. 13 and 20). At the macro level, this results in widely different market structures characterized by more or less equal or unequal power; each specific structure of power conditions the way markets operate at the macro-level, shapes the character of exchange relations between individual market participants and influences their relative returns from exchange. As Bardhan points out in a recent paper on power in economics (1991:267), 'power may be centrally involved in causing the existing pattern (and in defining the existing parameters) of trade in the first place'. This idea is also present in Bhaduri's idea of 'forced commerce' wherein 'the "market mechanism" is... better understood not in terms of its allocative efficiency, but as the mechanism for extraction of surplus by one class from another... the function of exchange is not to "clear" the market in some cases, but simply to gain advantage to one party **at the cost** of another'; he talks about the 'class efficiency' of markets.

Whereas in π_1 and π_2 , we were looking at the transcendence of market exchanges by means of conscious, organized political action, in π_3 the politics is a process which is one aspect of the relationship between market participants in the act of exchange, operating whatever the degree of competitiveness within that market. Markets can thus be analysed as political games in which outcomes are structured in terms of choices taken in the context of variable but structured asymmetries in the capacities of participants, which vary across specific markets and

which may in certain contexts result in systematic exploitation through unequal exchange. Dyadic market exchanges may thus be expressions of relations between dominant and subordinate classes.

Conventional economic analysis, through its work on monopoly, oligopoly and ‘market power’, and more recently game theoretical work on bargaining within markets, has made some limited contribution to understanding this process. (For assessments, see Bardhan 1991 and the article by Baland and Platteau in this Bulletin.) In the context of agricultural markets, the work by Indian economists on ‘fused’ or ‘interlocking’ markets involving ‘triadic power relations’ (for example, Bhaduri 1986 and Bharadwaj 1974, discussed by Janakarajan and Olsen in this Bulletin) has analysed the ways in which the interlocking of markets for credit, product, leasing, labour, processing and transportation in rural contexts serves to give certain strategically situated groups an ability to dominate transactions with other market actors and benefit from unequal exchange. As a means to track these locations of strategic control, the method of tracing **filières** is useful in that it identifies the chain of exchange from production through various links in marketing, processing and circulation. A **filière** map helps one to pinpoint precise locations of profit and accumulation (for example, Barker (1989) has argued that trade is a more favourable location than production for accumulation in agricultural markets in Africa) and thereby identify precise points at which privileged positions can form and, more generally, relations between super- and subordinate classes or strata can coalesce.

The above models of ‘fused’ and ‘interlocking’ markets are limited in their application because they have emerged from and been applied to relatively undeveloped agrarian markets still in transition from pre-capitalist systems of economic exchange. However, recent work in the Marxian tradition on more advanced markets in the industrialized countries has attempted to demonstrate how asymmetrical power relations exert influence, and domination and exploitation take place, in markets which are operating in ways more closely approximating the standard model of a competitive market. For example John Roemer (1982, 1988) has argued that ‘capitalist exploitation’ takes place within a context of ‘free’, ‘voluntary’ competitive exchange by virtue of unequal ownership of property. In their theory of ‘contested exchange’, Samuel Bowles and Herb Gintis (1990) have attempted to establish ‘new micro-foundations for political economy, one that illuminates rather than obscures the exercise of power’. There is also work on international exchange by David Evans where he argues (1990: 1295) that ‘systematic consideration of class, inequality and power can be brought to bear on trade and development issues without loss of analytical rigour’.

From the point of view of a strict economist, this last methodological point is important since one of the usual arguments against the incorporation of power into economic analysis is that it cannot be done rigorously. However, conventional analyses of monopoly and

game-theoretical approaches have far more potential for incorporating a rigorous analysis of power than they have so far demonstrated. The triadic power relations characteristic of interlocked markets have been modelled formally by Subramanian (as an appendix to Janakarajan 1992) and it has been suggested that the methodology of neo-classical economics can provide a precise and empirically testable measure of power by extending the theory of monopoly (Ritson 1977). One is tempted to conclude that it is really a question of whether or not economists are willing to put their minds to it. A 'power theoretic' and a 'choice theoretic' approach seem logically inextricable and empirically necessary. Take the **prisoners' dilemma**, for instance, – the dilemma lies not merely in the fact that their choices have sub-optimal outcomes, but also in the fact that they are prisoners in the first place.

π 4 The Politics of Social 'Embeddedness'

This idea is drawn from (but goes beyond) Karl Polanyi's notion (1957) of markets as 'embedded' in wider social values and institutions. It implies that other principles of social organization permeate markets and shape their structure and dynamics. It also implies that the motives of market actors cannot be reduced to mere considerations of maximising self-interest and making profit. The latter sentiment is echoed in de Gregori's exasperated remark (1979: 55) that 'the economic man in the marketplace of conventional economics is an individual without culture and therefore without existence'. Much recent analysis, for example, has emphasized the crucial importance of trust and moral conceptions such as fairness or duty in regulating exchange between actors in a wide variety of markets in more 'traditional' and more 'modern' contexts. (For a discussion of these issues, see Granovetter 1992: 58–63.)

The notion of embeddedness opens up a vast area of interaction between markets and social processes, uniting the terrain of economics with the traditional concerns of anthropologists, sociologists and psychologists: kinship systems, cultural values, religious beliefs and institutions, social differentiation based on gender, ethnicity and race, and so on. My own concern here is far narrower: with the effect on the operation of markets of the power relations which may themselves be embedded in these social beliefs and institutions. One example is the impact of gender on the role of women within markets – both materially through the influence of the gender division of labour in the economy at large and attitudinally through the influence of gender ideologies inherent in established cultural or religious beliefs. (For an analysis, see the article by Alison Evans in this Bulletin.) These social factors often operate to subordinate women by restricting their access to markets, limiting the resources they can use in market exchange, defining rules of the market game which are prejudicial to their interests and distributing them invidiously between markets. From this point of view, markets are one social arena in which the pervasive power game between male and female interests is played out. Similar analyses could deal, for instance, with the role of race in the operation of markets in South Africa, or the role of religion in the operation of markets in Iran.

3 CONCLUDING REMARKS

At the analytical level, we hope to have convinced the reader that real markets are social amalgams interacting with and pervaded by the state and society at large, and political entities permeated by power relations of diverse kinds. Though we have described the political nature of markets in terms of four separate categories, there are, of course, complex ‘boundary exchanges’ between them. For example, while we have emphasized the impact of state politics ($\pi 1$) on markets, we have not discussed the ways in which the associational politics of $\pi 2$ affect state politics (for example, through the influence of powerful economic lobbies on officials or the ‘pull’ exerted by personal networks linking business people and politicians). There is also a systematic relationship between the power relations of $\pi 3$ and the associational possibilities of $\pi 2$: a small group of large landlords, for example, may well find it easier and more productive to organize in their own interests than a much larger number of small tenants. The power definitions and distribution inherent in a religiously-based caste system (in category $\pi 4$) may well structure the allocation of market power in $\pi 3$. We can thus conceive of **class formation** in political terms as the result of a process of mutually enforcing interaction between power differentials in these four spheres. By contrast, power relations in each sphere may be in conflict, as when powerful trade-unions arise to challenge the power vested in unequal ownership of the means of production, or when workers influence state power, through votes or revolution, to secure regulation of markets in their interests or to bring about a redistribution of marketable assets (as through land reform). Using these categories, we can also approach the explanation of market **institutions** in political terms, as a necessary complement to theories which stress transaction costs or information. Market institutions can be seen as a consequence and expression of power relations and political struggle in and between these four areas of market politics.

But does the political analysis of markets have any practical value for the world of development in which analysis exists for the purposes of action? In relation to successful policy intervention, it should caution against operating with too starveling or utopian a conception of ‘the market’ or the ‘free market’ and sensitize policy-makers to the structural and institutional diversity of real markets and the complex political processes which shape and underpin them. Any one-sided and/or economic definition of market ‘distortion’, for example, runs the risk of coming up with simplistic policy conclusions which mis-specify the problem and underestimate the possibilities of change. It not only faces the familiar problem that, even where markets may be working ‘well’, they may have unacceptable welfare consequences, for example by increasing the vulnerability of the poor to market fluctuations. It also faces awkward questions about the existence of apparently highly successful markets which are systematically ‘distorted’ in ways analysed above. There is here an important range of questions about how variations in the power structuring of specific markets affects developmental outcomes. This goes beyond the usual questions about

the nature and extent of state regulation to include the 'endogenous' regulation of markets: for example, the pervasiveness of networks in Japanese or Italian industrial markets; the function of industry/trade associations in improving their members' ability to compete in international markets; or the role of professional organizations in regulating skilled-labour markets. The problems for investigation here are why some of these forms of markets organization are developmentally beneficial and some not, and how the former can be encouraged and the latter discouraged through policy.

Moreover, the manipulation (and in the Eastern European case, the creation *ex nihilo*) of markets through policy intervention would seem to require far more than the application of an analytical blancmange mould derived from conventional economics: a knowledge of context and variation, and of the complex social, political and institutional dimensions of real markets. As I remarked at the outset, variations in markets partly reflect a wider differentiation between market systems, between forms of capitalism, which offers a range of alternative institutional incarnations of markets. (For an example of this range of options in the context of current Chinese financial reforms, see Bowles and White 1993.) This variation does not bedevil analysis because these variations and processes can be classified and analysed systematically, ideally through inter-disciplinary endeavour.

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