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Polanyi and the Instituted Processes of Markets: Introducing a Wellbeing Perspective

Susan Johnson

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Abstract

Analysis of the role of markets in development is mainly focused on their ability to promote material provisioning. Polanyi argued that markets were only one approach to material provisioning, and that the concept of the self-regulating market had become disembedded from society. He was concerned that processes of provisioning be understood within the wider framework of society and developed the concept of instituted process as a means to understand this role. This paper sets out to explore whether and how Polanyi's concept of instituted process might work with emerging approaches to analysing wellbeing – what it means to live well – to offer tools for the institutional analysis of markets

Keywords: Markets, Institutions, Wellbeing

1. Introduction

The 'institutional turn' (Evans 2007) is now dominant in development economics – all be it originating in new institutionalism – and opens up prospects for the deeper analysis of the nature and role of markets in development. This paper therefore seeks to expand the tools for the institutionalist analysis of existing markets by examining the usefulness of Polanyi's concept and categorisation of the economy as an instituted process. The paper approaches this task within the wider context of emerging approaches to the analysis of wellbeing – what it means to live well – as this concept is gaining ground in both developed and developing country contexts.

Markets as means of material provisioning have tended to be regarded as a separate and unproblematic domain from other dimensions of social life that deliver wellbeing – such as relationships with family; community and friends; health; personal freedom and values (Johnson 2008). Polanyi's argument was that the self-regulating market had itself become disembedded as a concept and that it was therefore necessary to find alternative conceptual frameworks if the role of the economy in society more broadly was to be properly understood – his concept of instituted process was a stepping stone to this end (Johnson 2008).

[1] Centre for Development Studies, University of Bath, Bath, BA2 7AY, UK. E-mail: s.z.johnson@bath.ac.uk.
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Institutionalist approaches therefore need to consider the role of markets within this wider context and here we examine how the WeD holistic analytical framework for understanding wellbeing can enable these connections to be better made.

The paper proceeds as follows. I start by outlining Polanyi's conceptualisation of the instituted processes of material provisioning. Polanyi's most well known work, *The Great Transformation,* has at its centre the question of the social forces involved in the creation and evolution of markets and problematises the position of the 'free' market in society as a whole. His analysis of the 'double movement' through which social forces seek to re-embed the market in society in the face of 'definite…legal and political strategies' (Slater and Tonkiss 2001) to disembed it, recognises that markets are socially constructed. His concept of instituted process builds on this by recognising alternative mechanisms of provisioning in the economy in the form of exchange, reciprocity and redistribution and sought to enquire into the actual formation and balance of these within specific economies at particular times.

The paper then considers wellbeing. The intellectual endeavour to conceptualise and operationalise notions of wellbeing has a long and erudite lineage reaching back to ancient philosophers such as Aristotle and their attempts to define what it means to live well. It has recently become central to policy debates in a number of contexts – in both developed countries such as the UK (Layard 2005) and developing countries such as Bhutan and Thailand. These recent developments have focussed primarily on notions of subjective wellbeing, most frequently defined by indicators of happiness, but more broadly based in positive psychology. The approach on which this paper draws has been influenced by these developments but is broader based. The ESRC funded Wellbeing in Developing Countries Research Group (WED) at the University of Bath was motivated by the need for interdisciplinary analysis of poverty, inequality and the quality of life in developing countries which would integrate an understanding of the subjective dimensions of quality of life with existing and broader based approaches to the analysis of poverty and inequality. The approach used here recognises three dimensions which are mutually constitutive: material, relational and subjective, places these within a structuration dynamic highlighting both processes of activity as well as outcomes.

I then examine the basis for convergence between Polanyi and the WeD framework used here. After discussing methodological consistencies, I review how Polanyi's instituted processes fit with the overall WeD framework and argue that because relationships are the defining feature of Polanyi's categorisation these offer a useful point of departure. While Polanyi did not specifically discuss the subjective dimensions of material exchange or meaning involved in economic relationships, subsequent contributions in economic anthropology and economic sociology have done so and this is consistent with his view of the embedding of the economy in institutions such as religion, which create meaning. On this basis I therefore argue that the underlying analysis of instituted process is a useful starting place to analyse the relational dimensions of material processes of provisioning, and for extending this to the subjective dimensions.

Polanyi's three forms of instituted process are ideal types but in fact his agenda was to examine the actual operation of the economy to understand the combination of reciprocity, redistribution and exchange at work. In this spirit, I use a case study of a local financial market in Kenya to show that these three forms are at work within the 'market' itself. Moreover, the way this market is structured requires that we recognise both the relational and subjective processes at work – people's behaviour in this market is much better understood when seen as processes through which wellbeing is constructed. The conclusion draws together the overall argument.

Polanyi's Concept of Instituted Process

Polanyi's project was to analyse the role of the economy – seen as a process of material provisioning – in society. His key insight of *The Great Transformation* was to recognise that the apparently self-regulating market system was the product of specific intentions to introduce laws and policies and not in any way a natural or inevitable occurrence (Polanyi 2001). He termed this the 'economistic fallacy' – the fact that the market was a 'compound concept' (Polanyi 1957) which confused the formal model with the actually existing economy that he saw as embedded in society – the substantive economy. His endeavour was therefore to identify empirically the means through which material provisioning has actually taken place across human history without 'prejudging the significant issues arising from the problem of the place occupied by the economy in the society as a whole. The issues which stand out are those involving the relations of the economic process to the political and cultural spheres of the society at large' (Polanyi 1977). Hence the processes should be grouped according to the form of integration that is dominant in each of them:

> Integration is present in the economic process to the extent that those movements of goods and persons which overcome the effect of space, time and occupational differentials are institutionalized so as to create interdependence among the movements. […] Forms of integration thus designate the institutionalised movements through which the elements of the economic process - from material resources and labor to the transportation, storage and distribution of goods - are connected. (Polanyi 1977)

Adams (1994) characterizes this as an ordered sequence of events and transactions that involve the creation of goods and services and their movement through the 'social framework' (p340) containing a locational dimension and an appropriational dimension.

Polanyi proceeded to identify three main forms of integration and supporting structures – or what he also termed 'instituted processes' (Polanyi 1957): reciprocity, redistribution and exchange.[2] His extensive study of anthropological texts led him to a view of reciprocity as requiring symmetry. Much inspired by Malinowski's study of the Trobriand *kula* system he recognized that the system of reciprocity in which material provisioning was provided by others, was a large scale system in which different family members or groups of people had obligations in relation to other family members or groups in a system. So, for example, a man who has responsibility to provide for his sister's family is not himself provided for by his sister's husband but that husband provides for his own sister's family and so it goes around. This was not therefore about individual bilateral acts of reciprocity but much more extensive systems from which individuals could not calculate their returns – a more diffuse system that required relatively symmetrical groupings.

He identified redistribution, on the other hand, as requiring 'centricity' – goods collected on the one hand and distributed on the basis of custom, law or ad hoc decision making on the other. He identified exchange as the supply-demand price mechanism in which price is the integrating factor between supply and demand.

He distinguished between these forms of integration and their supporting structures, and personal attitudes. Personal attitudes are not the basis of such integrative processes. Such attitudes and acts (such as Adam Smith's much quoted observation of man's 'propensity to truck barter and exchange' (ibid: 37)) do not simply add up to these forms of integration, rather they arise from supporting structures whose 'basic organisation and their validation spring from the societal sphere… diffuse individual acts of mutuality or barter lack the essentials of effectivess and continuity in the society plane' (ibid:37). Rather they depend on the presence of specific institutional structures. Hence random acts of exchange or barter do not produce the integrating element of price:

> Exchange, as a form of integration, is dependent on the presence of a market system, an institutional pattern which, contrary to common assumptions, does not originate in random actions of exchange… only in the presence of markets instituted to that purpose will the bartering attitude of individuals result in prices that integrate the economic activities of the community. (ibid:37-38)

[2] A fourth system is householding as mentioned in Polanyi (1957) but this is seen as a primarily autarchic process of self-provisioning and is not a system that he further elaborates on.

Similarly he argues that only where society is organized in sufficiently symmetrical groups will 'reciprocative attitudes result in economic institutions of any importance; only where centers have been established beforehand can the cooperative attitude of individuals produce a redistributive economy' (ibid:38).

We can see these three forms as Polanyi's classification of different means of collective action in society in the form of markets, networks or hierarchies (Thompson, Frances et al. 1991) or of taxonomies of economic systems operating as market, state and community (Gough 1994). The organisational forms which enable collective action in these contexts are respectively the private sector firm;[3] state and voluntary co-operative associations (Ostrom 1990). The firm operates by allowing an entrepreneur to negotiate and co-ordinate activity within a framework of institutions through contracts with a range of participants, which specify the ways in which they will act. The state, on the other hand can set rules and enforce them using sanctions due to its monopoly on the use of force and so organise a range of activities for collective benefit (or harm). Third is the case where a group of individuals organise themselves – usually seen as associational forms based in community.

Polanyi is at pains to point out that forms of integration do not equate to stages of development as subordinate forms may be present alongside a dominant one and this may change over time and revert (1977). So while his categories of instituted process are empirically founded they are ideal types (Watson 2006) offering a basis for comparative analysis (Sarkany 1990). The task then is to understand the linkages and interaction between these different systems, but Polanyi sought to highlight the dominant mode in a particular society at a particular time and this therefore pushed him towards identifying the extremes. His definition of market society is therefore one in which exchange is the dominant form – but for Polanyi exchange characterised by the neo-classically based supply-demand price mechanism is a stage at which the society is embedded in the economy rather than vice versa.

[3] There can also be definitional confusion over the use of the term firm. Coase's focus on the firm was borne of his interest to study the predominant mode in the modern capitalist economy because the structure of firms involves resource allocation decisions that are not made via the price mechanism, i.e. a market. The market instead involves the functioning of atomistic individuals acting in their own rational self-interest. There is however some ambiguity over what it is that in fact defines the firm. In attempting to clarify this in Coase's theory, Hodgson suggests that he was referring to 'any firm involving multiple agents organised together in some manner - hierarchical, co-operative, participatory or whatever - but not through the market' Hodgson, G. (1999). Evolution and Institutions. Cheltenham, UK, Edward Elgar.. Common usage of the term 'firm' refers to the modern capitalist firm and neglects other 'non-market' forms of organization. Here I will also use the term to apply to the modern capitalist firm.

This has led to one of the biggest tensions in his work – the argument that he himself committed the economistic fallacy by seeking to characterise economies as dependent on exchange rather than actually seeking to analyse the actual means through which exchange was in fact socially organised and embedded (Lie 1991). This has become a problem for economic sociology since its approach to demonstrating the role of social relations in markets has focused on recognising the extent to which exchange is affected by social relationships among actors and hence has sought to erode the territory to which pure market exchange can be seen to apply (Krippner, Granovetter et al. 2004). It therefore offers a spectrum of 'high marketness' to 'low marketness' (ibid:111) where high marketness denotes the competitive markets of economy theory while low marketness corresponds to apparently embedded forms such as organisational hierarchies. This then leaves the neo-classical concept of the market intact and detached from society. Block (2001) points out that in Polanyi's scheme this formalist conception is never entirely possible – it is impossible to disembed the economy from society – but also recognises that Polanyi's concept has been problematic to interpret, and that his view of embeddedness was itself evolving eventually arriving at the ' "lost continent" of the always embedded market society' (Krippner, Granovetter et al. 2004). I adopt this view here while recognising that Polanyi did not go further to provide clear analytical categories through which to examine the always embedded exchange process itself.

The substantivist notion of the economy that Polanyi therefore seeks to reveal is concerned to identify underlying conditions and motivations:

> In the absence of any indication of societal conditions from which the motives of the individuals spring, there would be little, if anything, to sustain the interdependence of the movements and their recurrence on which the unity and stability of the process depends […]. Unity and stability, structure and function, history and policy spell out operationally the content of our assertion that the human economy is an instituted process. The human economy then is embedded and enmeshed in institutions economic and non-economic. The inclusion of the non-economic is vital. For religion or government may be as important for the structure and functioning of the economy as monetary institutions or the availability of tools and machines themselves that lighten the toil of labour. (1957:249-50)

Polanyi's approach to analysing processes of material provisioning therefore offers characteristics which are similar to the WeD project of understanding this interaction in context.

Wellbeing – An Overview

The objective of the WeD research programme was ‘to develop a coherent conceptual and methodological framework for understanding the social and cultural construction of wellbeing in specific developing societies’. This sought to address three trends in analysis in development studies in recent years (Gough, McGregor et al. 2007). First, the widening of notions of poverty and human development which, amongst other reasons has been particularly spear-headed by Sen’s capabilities approach and its operationalisation in the form of the human development paradigm. Second, the development of ‘livelihoods’ frameworks which offered more multi-disciplinary understandings of the agency dimensions of poor people’s lives in terms of not only the livelihood they secure but the meaning they create in the process. These frameworks had been critiqued at Bath using an alternative ‘Resource Profiles’ approach which recognised the social and cultural negotiability of resources and hence the key importance of the relationships within which they were accessed and deployed. Third, was the move to measure subjective aspects of quality of life or life satisfaction and happiness and to harness insights from this work.

The definition of wellbeing that was derived was ‘a state of being with others, where human needs are met, where one can act meaningfully to pursue one’s goals, and where one enjoys a satisfactory quality of life’ (Wellbeing in Developing Countries Research Group 2007). White (2009) presents this at a more intuitive level as ‘Doing Well, Feeling Good’ and ‘Doing Good; Feeling Well’. ‘Doing well’ conveys the material dimension, while ‘feeling good’ recognises that perceptions and satisfaction with this is also necessary and it is these dimensions that have been the main focus of many policy definitions to date. The ‘doing good’ and ‘feeling well’ dimension on the other hand encapsulates the essence of findings from the WeD research programme. It recognises the importance of the moral dimension of people’s lives in which ‘living a good life’ was important – a level at which the collective understanding of how the world is and should be is recognised and finds its way into individual perceptions. The ‘feeling well’ aspect both emphasises the aspect of individual health but at the same time ‘goes beyond this to a moral sense about feeling at ease with one’s place in the world – which is critically associated with how one is in relationship to others’ (ibid:4).

As a result this formulation sees wellbeing as the analytical integration of three critical dimensions: the subjective, material and relational – which interact with one another as people pursue their wellbeing (White 2009). In this formulation the traditionally ‘objective’ aspects of material wellbeing disappear because what is objective differs depending on your point of view – i.e. is socially and culturally constructed. White’s view hence emphasises the interconnectedness of material with social and cultural needs rather than seeing the achievement of the material dimension as delinked and independent in meeting 'objective' needs for practical welfare. The subjective dimension focuses on what 'people value and hold to be good' (p9) and following Appadurai (2004), this allows three levels of analysis. First, a 'visible inventory of wants' (White 2009) which represents those that are most usually clearly articulated as specific needs or goals; second, a level of 'intermediate norms' which may not be articulated but influence and structure the articulated needs because they capture norms and ideas about how these should operate; finally, a 'higher order normative context' which relates to people's views of how the world should be – the cosmic order regarding life and death, peace and conflict, material and social. This allows the subjective dimension to be seen as something more than simply a set of individual idiosyncratic concerns but recognises that these are structured by systems of meaning which affect the relational and material dimensions themselves. Finally, the relational is vital both at the individual level – WeD's empirical research confirmed the recurring emphasis of wellbeing as concerned with relationships of family, friends, community (see e.g. (Devine 2007) – but also recognises the role of social structure and power relations in the way these relationships operate and the outcomes they deliver for particular individuals at particular points in space and time.

Further, the WeD approach situates the way in which wellbeing is constructed as operating in space and time. It works with Giddens' structuration perspective (McGregor and Kebede 2003) and so understands the construction of wellbeing as a dynamic of both the processes and the outcomes that are inseparable and iterate through time (McGregor 2007; White 2009). Material wellbeing as outcomes in terms of income, assets, employment and so on has long been understood to have social status and symbolic dimensions but this approach also emphasises the process through which economic activity takes place. It works with a human ontology (Bevan 2007; McGregor 2007) and puts a 'social human being' at its centre. Human beings relate to others both in the pursuit of their own goals and in society in the pursuit of human goals more generally. Recognising wellbeing as a process rather than an end state emphasises the politics of its negotiation and the fact that this is always done in community in relation to others, which also moves us away from an individualistic interpretation and from methodological individualism.

This, necessarily brief, overview has not engaged with the many theoretical and conceptual issues of interest. However, this formulation offers a clear set of foci for the analysis of wellbeing in developing context which multi-dimensional poverty debates have at many points found confusing and which the recently added quality of life emphasis has further complicated. It does this while also retaining clear resonance with many antecedents since the interaction of the material, subjective and relational is in many ways not new having resonance with formulations such as Marx's means of production, relations of production and ideology (White 2009) and, for our interests here, resonating with the analyses of markets presented above. The relational dimensions of wellbeing identified by White as personal, social structural and of power arising from these, clearly converge with the discussion of power and social regulation in markets above as arising from different levels of relationships. The importance of meaning and subjectivity is highlighted by the discussion of social institutions such as caste and religion in also patterning the way markets operate. The evidence from the experimental economics literature also offers evidence that interactions within specific rule environments invoke values and norms that offer motivations for action to be meaningful.

The way in which relationships and meaning operate in markets has been evident within the WeD research. Research in Peru has used an inclusion/exclusion framework to discuss the relationship between access to markets and the achievement of wellbeing goals (Copestake 2007). The Sigma economy model of Figueroa for Peru identifies how an equilibrium trap can arise because the racial and ethno-linguistic divide creates a dynamic of exclusion from labour markets because they create horizontal/hierarchical social networks which are the basis of political exclusion from key resources such as formal education and state social protection. Such a framework can be expanded to operate with a broader inclusion/exclusion framework and to recognise the role of culture and politics in achieving material wellbeing.

In Bangladesh research has identified how meeting material needs has increasingly led women to engage in the labour market (White 2007). But the options for low class women who undertake manual labour such as road construction, compared to higher class women who undertake non-manual work such as teaching, engages them in conflict or conformance with gender norms of modesty and hence value discourses which in turn affect their ability to live well. In the same context the role of patron-clientelist relations in influencing market access has long been known (McGregor 1991; Crow 2001) and analysis within the WeD research identified the heightened dynamic due to the role of political parties and their interaction with local networks of *mastaans* (organised criminals) in creating access to state resources and protecting business interests (Devine 2007).

These examples of the penetration of social relations, culture and power into the operation of the market sphere are consistent with many other analytical approaches and studies of markets. However, what is distinct about the analytical approach offered by the WeD wellbeing framework is that it offers a means to go beyond simply recognising that these dynamics affect people's ability to meet their material needs and hence the outcomes of their market engagement but to specifically explore the ways in which these dynamics affect the processes of people's market engagement, to evaluate their ability to pursue their goals meaningfully and to assess its contribution to their quality of life.

Wellbeing and the Instituted Processes of the Economy: Points of Departure

In seeking to examine what wellbeing brings to an understanding of the instituted processes of the economy it is first important to highlight their ontological and methodological similarities. First, as already pointed out above the ontology at the heart of the WeD wellbeing approach is a human one placing a social human being at its centre. According to Mendell (2007) Polanyi's view was Aristotelian in seeing individuals as socially constituted and 'society is not something between men, nor over them, but is within them...so that society as reality...is inherent within the consciousness of each individual' (Polanyi, Levitt and Mendell cited in Mendell 2007) hence making relationships 'the "key loci" of the self' (Mendell, 2007: 2).

Second, substantivism in the context of the formalist-substantivist debate has often been interpreted as being a primarily structuralist ontology of the dominance of social relations in determining economic action (Wilk 1996). But others argue that it is one that is holistic and treads between structure and agency – neither structural holism nor methodological individualism but one in which society arises from the interaction of individuals and social institutions and hence that institutions are both cause and effect: the market 'creates the individuals to perpetuate order than to say that individuals create the market as a spontaneous order' (Clark 1993). As Clark points out Polanyi's focus on process requires an historical perspective because process is a temporal concept so that the understanding of a specific action must be placed in a social context which in itself requires an historical perspective on the creation of that social context. But as Mendell (2007) highlights, Polanyi's activist project was also about the means of creating change through educational processes which would enable learning leading to social transformation and allow for the negotiation of economic relationships at the societal level. This is similarly an approach adopted by the WeD view of wellbeing employed here, which, as indicated above, uses Giddens' structuration perspective to recognise the interdependence of action and social structure and to identify and recognise the temporal nature of the construction of wellbeing through both processes and outcomes.

The third key point is one of methodology. Mendell (2007) refers to Polanyi's approach to theorizing as one which interplays thought and experience – referring to data and theorising from it – and vice versa which involves simultaneously describing and conceptualising. Lie (1991) describes his methodology as inductive and institutionalist – favouring the need to contextualise in order to explain institutions involved in economic activity. McGregor indicates that the WeD research has also sought to conceptualise wellbeing while undertaking empirical work alongside it in order not to lack what Alkire calls 'a methodological sidecar' (2007:318).

Having established these important underlying consistencies in approach we can move to a more specific analysis of how Polanyi's views of instituted process relate to the key dimensions of wellbeing laid out above.

The wellbeing approach identifies the centrality of three dimensions through which wellbeing is constructed: material, subjective and relational. Polanyi's concern was to identify the main systems through which material provisioning takes place which integrate the production of goods and services, their movement in society and their appropriation – his answer was the instituted processes of reciprocity, redistribution and exchange. The first point is to recognise that his substantive approach means they are primarily defined in terms of relational contexts in which material goods are moved and appropriated – as forms of *integration* they are necessarily relational. Reciprocity describes a certain set of types of relationship, while redistribution suggests another. The latter implies a central point through which such collection and redistribution of goods and services can occur but does not judge the nature of the power or authority that this requires. Exchange – in its formal notion or as an ideal type – requires relationships in which only price is the key element. It hence requires mechanisms through which actors in markets can achieve anonymity which allows exchange to operate devoid of the impact of who is involved in it. The substantive view of markets argues for the near impossibility of such a scenario, so recognising that social relations are central to exchange relationships. Polanyi's instituted processes inevitably therefore direct us to study the relationships within which material provisioning takes place and this was his view of the embeddedness of the economy in society.

Second, the wellbeing approach suggests that the subjective interacts with the material. The subjective dimensions create meaning for people in the contexts of the social relations in which they are enmeshed. In Polanyi's substantivism there is little obvious space for culture (Wilk 1996) and he does not refer to subjective dimensions or meaning explicitly in his writing. However, for example, he argues that man does not act 'to safeguard his individual interest in the possession of material goods; he acts so as to safeguard his social standing, his social claims, his social assets. He values material goods only in so far as they serve this end' (Polanyi 2001) – such an argument is highly suggestive of recognition of the symbolic dimensions of social relations. It was Geertz who later and more clearly separated the social from the cultural in economic anthropology (Wilk 1996) – with the social system as observable behaviour and culture as the set of ideas within which people operate – recognising that the two could be in tension. This step has given rise to a more intense separation of cultural economics from substantivist views which argues that economic action is primarily determined by an outworking of the cultural rules – people's ideas and beliefs of what is moral. The wellbeing approach explicitly opens the framework to the importance of meaning but does not go so far as suggesting that all action is determined by it alone. However, it would not seem too extreme or at odds with Polanyi's substantivism in its formulation of the time to suggest that he would be comfortable with recognising the importance of dimensions of subjectivity and meaning in relation to economic action. His entrancement with Malinowski's study of the *kula* and its ceremonial and symbolic as well as social dimensions, would seem to suggest this.

Economic sociologists support such a widening of the embeddedness approach. Granovetter regards the notion of embeddedness as a 'sensitising umbrella concept' (Krippner, Granovetter et al. 2004), which allows for the exploration of social, political, institutional, historical and cultural elements of economic activity. Moreover Block has suggested the need for a 'thicker' concept of embeddedness and recognised both that markets must be understood as politically embedded as the rules necessarily require being institutionalised while also that markets are 'morally embedded' as 'it is a market society's guilty secret that it is fundamentally dependent upon a moral order' (ibid: 118).

Polanyi's instituted processes are very broad categories identifying means by which material provisioning takes place. As categories of analysis we have shown that relationships are key to these – they can be viewed simply as static ideal types. But the contribution of *The Great Transformation* was to recognise that these are dynamic and continually in the process of construction and reconstruction. His main insight was to characterise a 'double movement' in which there were reactions against the moves to disembed the economy from society through the deliberate acts of policy and regulation that sought to build a self-regulating market mechanism, so recognising the importance of the social relationships in those processes of material provisioning. Polanyi therefore recognises that the ongoing process of institutionalising the means of material provisioning is a site of contestation over relationships and the meanings these embodied. This contestation is not only about the outcomes – the immiserisation of the poor and vulnerable through the reform of the poor laws and so on – but also about the relationships that are changed and meaning in the actions involved in the process. He was therefore arguing that it is not simply the material outcomes that matter for people's wellbeing but also the nature of the economic processes in which people are involved in producing those outcomes. In this context, Polanyi's idea of embeddedness speaks to the wellbeing analysis here because it emphasises the centrality of these interactions – the entanglement of the material, relational and meaningful that embeddedness suggests.

The argument, so far, is that analytical approaches to the investigation of material processes of provisioning – markets in particular – therefore need to offer means through which the relational and subjective can be understood and analysed. Wellbeing offers a framework within which to undertake this analysis. Polanyi's instituted processes offer a means of categorising the relational as central, and in particular of recognising the role of social relations in structuring the process while we have also suggested that recognising the influence of dimensions of meaning would also be consistent with his approach.

Before proceeding, a note on terminology. So far I have not clearly distinguished between the terms economy, exchange and market. Without entering the tricky domain of attempting to define the market as a concept (Rosenbaum 2000), we have seen Polanyi's endeavour was to distinguish different forms of material provisioning in the economy and refer to exchange processes as those sets of processes dependent on the integrating factor of prices brought about by the movement of supply and demand – what we tend to refer to as markets. However, in the spirit of the 'always embedded market economy' it would be Polanyian to treat markets as processes requiring empirical investigation to discover whether and how price operates as an integrating factor. I therefore move on to limit my discussion to the role of the market in a broad sense requiring the investigation of the organisations and institutions involved and the role of prices within them.

Local Financial Markets in Kenya – Insights from a Case Study

I now turn to the case of a market I have studied in detail to explore the usefulness of bringing wellbeing and instituted processes together in seeking to analyse markets.[4] The focus is the local market for financial services in the small town of Karatina and its environs in Central Kenya, where the original research was undertaken in 1999-2000 (Johnson 2004; Johnson 2004; Johnson 2005). I am here using the term ‘market’ to refer to a whole set of mechanisms through which financial intermediation takes place and which therefore provide financial services in the form of deposits and loans to individuals and firms with prices in evidence. I do not therefore investigate forms of direct financial payment and relationship related to taxation, grants and social welfare payments that may occur through pure redistribution; or forms of mutual aid and assistance that might be recognised as forms of reciprocity.

The exercise was to identify the social institutions in which this market was embedded (Johnson 2004; Johnson 2005). This was done in a two-stage process: first, the organisational forms present in the market were identified. Financial intermediation requires forms of collective action through which deposits can be intermediated into loans and essentially three forms can be identified: first, banks as firms; second collective action arising from community organisation in the form of formally registered co-operatives and informal self-help groups; third, para-statals and NGOs which were forms of re-distribution via the state or charity and donors. Finally, there are a set of what I term bilateral individualistic relations which are not collective where saving and lending take place in direct person to person relationships in the form of moneylenders and lending to personal friends/relatives.

The three organisational forms are defined by the rules within which they operate at a number of levels: constitutional rules defining how they operate in society more widely; collective action rules defining their own governance; operational rules for ongoing management; finally monitoring and enforcement mechanisms for all of these rules. The second step of the analysis was therefore, to identify the rules and enforcement mechanisms and establish how they operate – whether these were formal rules or informal norms. The analysis of these rules enabled the relative importance of different forms of collective action in the market and hence the structure of the market as a whole to be better understood.

[4] In seeking insight from a real market example I humbly follow in the footsteps of both Walras and Marshall in theorising on the basis of the rules established in the particular markets of the Paris Bourse and the London Stock Exchange (see Kregel Kregel, J. (2007). Financial markets and economic development: myth and institutional reality. The Evolution of Economic Institutions: A Critical Reader. G. M. Hodgson. Cheltenham, UK, Edward Elgar .

The overall structure of the market indicated that while banks were important, the role of the mutuals sector was particularly important, while para-statals and NGOs were rather insignificant. 49 per cent of savings accounts in the formal and semi-formal sector were in mutually-based mechanisms. Informal group-based mechanisms were also heavily used and subsequent evidence has indicated these are used by some 40 per cent of the population in Central Province as a whole (Johnson and Nino-Zarazua 2007). While mutual mechanisms accounted for smaller proportions of deposits and loans than banks their importance for users was further evident from the qualitative research.

The main reasons for the importance of mutuals demonstrate the vital importance of their relational dimensions for users. First, mutuals, especially informal groups, usually required regular contributions and hence they offered discipline in savings because of the obligations people felt that arose from the personal relationships involved in them: shame was felt among women when contributions could not be made. This was valuable to poor people especially during economically challenging periods. Second, in these mechanisms user's entitlements to loans are very clear because they are members and this contrasted to banks where it was seen as a 'privilege' rather than a 'right' to access a loan. These are again dimensions of relationships that arise from the governance structure in operation. Third, when repayment difficulties struck there were a range of options they could pursue because of their membership and hence 'voice' within the group: they could reschedule repayments, or even be given an additional loan. Further, at the same time groups invariably offered social support alongside this financial support if the person was facing problems of illness or death in the family, with good attendance at funerals being of social and cultural significance. Finally, land was not used as collateral in mutual mechanisms and people feared losing their land if used for collateral in banks because it acted as a social safety net for the family, was a mark of social status, as well as being of great cultural importance, especially for burial.

A further feature of the use of informal groups was the predominance of their use among women compared to men. This arises from underlying social structural gender relations and norms and can be explained as, first, due to the gender division of labour and the gender division of income and expenditure responsibilities and financial management that result from this. These meant that women tended to receive smaller amounts of income than men and spend these on day-to-day household needs. This makes the operation of the most common form of group – the rotating savings and credit association – much more able to provide saving and loan services appropriate to women's needs, whereas men tended to receive and need to mobilise require lump-sums irregularly and hence these requirements were not so easily met by these group mechanisms. Second, the socialization processes of men and women more generally enabled women to form groups easily and for shame to operate as an effective enforcement sanction for women while this was not an adequate sanction to ensure men participated and repaid their loans (Johnson 2004).

Formal mutuals in the form of co-operatives had a strong political dimension also. In the past they had been set up and strongly regulated by government and were heavily linked to the coffee and tea industries, and had operated as means to mobilise voters during elections. As this area was an opposition zone in the newly multi-party democratic environment of the 1990s, it was perceived that economic liberalisation policies were being used to undermine the strength of the local coffee industry and political competition was still operating through the formation and management of the savings and credit co-operatives in the area. Nevertheless people (mainly men) preferred to use these savings and credit co-operatives than the banks. The macro- economic situation at the time was weak and volatile and interest rates were mainly determined by high Treasury Bill rates. Prices in the banks were therefore regarded as linked to the poor economic management of the ruling party. Moreover, key national banks were government owned, and therefore also engendered some mistrust. On the other hand, interest rates in co-operatives had been kept low during heavy state regulation but were attractive, despite relatively low interest rates for deposits, because of relatively low interest rates on loans – and they were insulated from the wider volatility of the economy because rates could only be changed by membership vote. On the other hand, informal mutual groups, which lent out money from a central fund, were charging themselves very high rates of interest – partly because they knew that the dividends from the fund would redound to them as shareholders and not be taken away by banks as profits. Banks gave out few loans and hence putting deposits into them was perceived as not enabling local development, moreover people perceived that profits would be made by owners outside the area. One building society (which later became a bank) that was owned by businessmen of the same ethnic group from a neighbouring district was however doing very well because it was perceived as catering to local people's interests.

What is clear here is that there were a number of social, cultural and political reasons that explained the relative importance of mutuals as financial intermediation mechanisms in this context and relative to banks in particular. These fit into the relational and subjective categories of wellbeing discussed above. The relational dimensions clearly operate at many levels. Personal relationships were formed in groups and these were important to create obligations which enabled people to be disciplined in saving and hence were strategies to meet their material needs. Social structural gender relations with both economic dimensions of income and expenditure patterns and socialisation dimensions underlay the ability of women to form groups and operate more effectively in them than men. The market was also affected by the wider political economy dynamics of Kenya unleashed by its multi-party democratic transition. The interaction of relationships and meaning were also important – land is not only culturally important for burial but having a place to be buried enables social status to be retained too. The cultural significance of funerals means that being able to mobilise people to attend them through the relationships these groups enable is also important.

As a market in the substantive sense therefore, all three organisational forms involved prices, but each of the three main forms is a 'market' for funds that is separate and incompletely integrated with the others. Polanyi identified price as the key integrating feature of markets via the supply-demand mechanism. In this 'market' it became clear that each form of provision had very different processes of price determination and of non-price characteristics and the balance of these in people's decisions regarding use was crucial. The non-price characteristics, discussed above, were critical to understanding preferences. A new institutionalist approach, which attempts to value these in terms of implicit transactions or information costs, is inadequate as these arise from the different relationships between users and owners within the systems which give rise to membership and voice in mutuals, or owners and clients in banks.

Thus organisational forms involved distinctly different relationships and meanings. First, for banks as firms people did consider prices but the fact that users had no control over them and their connections to the wider political economy contrasted markedly to mutuals, as did the different nature of the personal relationships involved in using a bank and these together dissuaded people from using them. As one woman put it: 'If I take my money to the bank then when I have a problem, who will help me?' (Johnson 2004). Second, mutualist forms represent forms of reciprocity, of give and take and negotiation in these groups which have sufficient symmetry. The non-price feature of 'negotiability' in the event of difficulties in these was vital. Indeed, this is consistent with Berry who argues that negotiability may be a key feature of African agrarian systems where transactions have multiple meanings and are not simply about gaining exclusive access or control of resources but creating relationships within which negotiation can take place (Johnson 2004).

This case study therefore offers some key insights for our discussion. First, we have identified organisational forms of the wider instituted processes of reciprocity and redistribution also operating within the 'market'. Each organisational form entailed different mechanisms for price setting and the organisational form resulted in a wide range of non-price characteristics affecting the products and services it offered.

Second, the structure of the market could be better explained when the relational and subjective dimensions that arose from the underlying rules and norms of each of these organisational forms was examined, including in relation to price formation. Levels of personal, social structural and political relationships were all present and were important in people's preferences for mutualist forms of co-operatives and informal groups. Moreover, the rules and norms of each of the forms, most strikingly with respect to collateral, gave rise to preferences for mutuals which ensured that the sources of meaning – especially with respect to land – were retained. We can therefore go beyond statements of the importance of social, political and cultural dimensions of markets to argue that market structure arose from underlying social structure and power relations and can be seen to result from the way in which people were actively constructing their wellbeing in this context.

Conclusions

This paper set out to explore whether and how Polanyi's concept of instituted process might work with emerging approaches to analysing wellbeing to offer tools for the institutional analysis of markets. Polanyi's categorisation of instituted processes in the economy is primarily a relational categorisation which is resonant with forms of collective action more generally, but he did not ultimately use these to analyse the always embedded market. However, an inductive institutionalist approach such as Polanyi's does encourage us to look at the specific institutions within which specific markets at particular times are operating. Using this approach in the context of a specific market encourages a focus on the organisational forms of collective action taking place within the market. This in turn provides a framework for examining the specific rules and norms which underlie the functioning of these organisational forms as constitutional, collective action and operational rules, monitoring and enforcement mechanisms.

It was argued that the emerging approach to the analysis of wellbeing used here offers a wider framework within which to undertake this analysis. It pays attention to processes involved in attaining wellbeing and hence offers the space for analysis of how markets operate. Combining this with a focus on the rules and norms of organisations operating in the market offers a focus on the relational and meaning dimensions in order to better understand market structure.

Implementing this analysis in the case of a local retail financial market in Kenya it was possible to identify how the rules and norms underlying their operation gave rise to different dynamics of relationships and meaning which were both constitutive of underlying preferences, for example, gender norms of socialisation enabling women to operate better in groups than men, as well as more overtly a response to them – the concern not to use land as collateral for fear of its loss. Price formulation was also a part of these relational dimensions with greater control being possible within mutuals as a result of 'voice' due to membership, compared to banks where wider political economy dynamics were seen to be at work. I conclude therefore that institutional analyses of markets as processes can therefore usefully gain from a focus on the relational and subjective dimensions which are central to the pursuit of wellbeing.

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