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**COMMODITY VERSUS GIFT AS METAPHOR FOR MARKET VERSUS NON-  
MARKET RELATIONS**

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**ABSTRACT**

In social science gifts are frequently contrasted with commodities. Commodities are assumed to stand for rationality and commercial gain, in short the economic realm. Gifts are presumed to be bearers of moral obligation and social concerns, that is, to represent the non-economic realm. However, it is shown in this article that commodities also rest on, and give rise to, a wealth of non-market relations. Thus, the use of commodity vs. gift as metaphor for market vs. non-market relations in a capitalist society is misleading. This article demonstrates that for the analysis of the interaction between market and non-market relations what is instead required is understanding of capital as a set of social relations, along lines provided by Marxist political economy.

## **1.Introduction: Commodities and gifts as tokens of market and non-market exchange.<sup>i</sup>**

Reciprocity and the moral aspects of gift transactions have long attracted theoretical interest in anthropology, and social science more generally. Mauss' (1925) essay on the gift has continually attracted commentary of the highest calibre (Levi-Strauss 1950, Sahlins 1972). Polanyi and his school made reciprocity one of the pillars of their analysis of non-market-based societies (Polanyi, *et. al.*, 1957). Gouldner (1960) found in reciprocity a universal 'moral norm' for all human societies. There have been entire theories of 'social exchange' resting on reciprocity (Homans 1958, Blau 1964). If Levi-Strauss (1949) is properly included in this field, there have been even theories of the origin of human society based on reciprocal exchange of women.

Nevertheless, since the early 1980s analytical interest in these issues has reached quite a different level of intensity, and the distinction between commodity and gift has become established as analogue for that between market and non-market relations. Exchangeability is usually taken to be the distinguishing characteristic of both commodity and gift. Untrammelled and full exchangeability is assumed completely to characterise the commodity, while moral, social, customary, and other factors strongly condition the exchangeability of the gift. Thus, the 'commodity' has come to stand for rationality (especially of the instrumental variety), individualism, a strict calculus of material gain and loss, impersonal relations, the holding together of society through the invisible glue of the market. In contrast, the 'gift' stands for power, moral obligation, collective concerns, personal relations that survive and continue after exchange, imprecise and often non-material rewards, the holding together of society through visible and open relations based on volition, rank and the like.

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<sup>i</sup> This paper contains a critical examination of anthropological literature on gifts and commodities. Weaknesses due to lack of requisite disciplinary training on my part should be immediately apparent to the experts. But my aim was only to obtain insights that could further economic analysis. Thanks are due to Ben Fine, Makoto Itoh, and Danny Miller for helpful comments on various drafts. Michiaki Obata made penetrating remarks at a seminar presentation at the University of Tokyo. All errors are my responsibility.

The metaphor is clearly important for economics as discipline because it focuses attention on the appropriate method of differentiating between market and non-market relations. The demarcation line has become blurred in advanced capitalism, especially in the realm of the family, in education and health provision. It has never been clear in developing countries, since ‘development’ has been traditionally associated with expanding production of marketable output at the expense of output distributed through non-market mechanisms. Does capitalist development imply destruction of non-market relations, the shrinking of the realm of custom, trust, moral obligation and so on? Is the world of the gift irrelevant to capitalist calculation of returns? In recent years, international development organisations have shown great interest in non-market relations, evidenced by analytical reliance on ‘social capital’, which attempts to capture the effect of reciprocal association, social obligation, mutually conditioned power and so on.<sup>1</sup>

It is claimed in this article that the distinction between commodity and gift is of limited use for analysis of market versus non-market relations. This is not simply because non-market relations, such as those of class and power, underpin and surround commodity markets. To a certain extent, this is already understood in social science, as in the work on ‘embeddedness’ and ‘networks’.<sup>2</sup> Rather, the point is that commodities and markets themselves generate non-market relations of trust, custom, power, and hierarchy. These closely interact with market relations, which are characterised by money-making, strict comparison of returns, and narrow calculation of means and ends. In analysing the interaction between the two, better results can be obtained by employing the concept of capital, as that is found in classical political economy and Marx’s work, rather than the distinction between commodity and gift. Capital as specific economic activity provides a framework of motives, aims and practices through which market relations stamp their character on non-market relations.

With this in mind, it is shown in section 2 that a significant weakness of the commodity-gift distinction is its exclusive focus on commodity exchangeability, at the cost of ignoring the use value of commodities. If use value was also considered

analytically, it would become clear that commodities give rise to a huge range of non-market relations. In section 3, it is shown that non-market relations are generated between buyer and seller as transactions occur repeatedly. More importantly, it is also shown that relations of trust, obligation and power also emerge among capitalist enterprises. Non-market relations among enterprises are particularly important because they lead to emergence of institutions that systematically place the realm of the non-market at the disposal of profit-making. The credit system, an enormous array of institutions, markets, and instruments that sets capitalism apart from other societies, is ultimately based upon non-market relations among capitalist enterprises. In turn, the credit system stamps non-market relations with a thoroughly capitalist character.

In similar spirit, section 4 turns to the exchange value of commodities, and considers the widely held - but often unspoken - assumption that value is independent of moral and customary influences. The well-established Marxist distinction between value form and value substance is vital in this connection. The important point here is that value substance (abstract human labour) characterises capitalist commodities, but not commodities exchanged between and within non-capitalist societies. Consequently, the exchange value (form of value) of capitalist commodities is subject to strict economic determination. By the same token, the exchange value of non-capitalist commodities depends heavily on customary and moral factors. Nevertheless, even in capitalist societies, there are activities and products that possess the form of value (prices, exchange ratios, monetary calculation) without involving produced commodities, for instance, in insurance, real estate, or financial services. For such economic activities, moral and customary factors are fundamental in determining exchange value and price.

## **2.Commodity and gift exchangeability.**

The work of Gregory (1980, 1982, 1997) has been very influential in the recent debate on commodities versus gifts. Gregory's (1982, 12) elegant formulation of the distinction states that:

Marx was able to develop a very important proposition: that commodity exchange is an exchange of alienable things between transactors who are in a state of reciprocal independence ... The corollary of this is that non-commodity (gift) exchange is an exchange of inalienable things between transactors who are in a state of reciprocal dependence. This proposition is only implicit in Marx's analysis but it is ... a precise definition of gift exchange.

Gregory used this distinction as foundation for a theory of 'gift-based' societies, characterised by kinship-based groups (clans), as opposed to 'commodity-based' societies, characterised by social classes.<sup>3</sup> Analytical interest has subsequently concentrated on demonstrating more fully the impact of non-market factors (moral, customary, kinship, religious, and so on) on gift exchange, while also discussing the social relations expressed in the latter. Thus, Gregory's distinction has been (critically) employed in analysing the different roles of men and women in the process of production and exchange (Strathern, 1988). It has also been used as analytical benchmark in distinguishing between things that are exchanged and things that are not exchangeable at all (Weiner 1992).

To be sure, the neatness of Gregory's distinction has also been subjected to sustained critique. Parry (1986) (also Parry and Bloch 1989), for instance, has claimed that certain gifts are alienable in traditional Indian society.<sup>4</sup> Appadurai (1986) has found the distinction 'overstated' and preferred to focus on a 'cultural perspective' that stresses the universality of the commodity form. Scepticism has been expressed on whether the 'gift' is an adequate notion for characterisation of an entire economy (Thomas 1991). Still others have rejected the notion of sharp dichotomy between commodity and gift, preferring to see the two as poles in a "spectrum of give-and-take" that extends from transactions "dictated by a sense of obligation and commitment" (the gift pole) to transactions "merely or principally dictated by a desire to obtain certain objects by means of exchange" (the commodity pole) (Valeri 1994, 18). According to this view, ascertaining the precise point on the spectrum at which particular transactions lie is much less important than specifying the nature of the relationship between transacting parties.

What matters most for our purposes is that Gregory's distinction between commodities and gifts (and the social and personal relations between the parties in related transactions) evidently rests on the characteristic features of exchangeability of commodities in contrast to gifts. In subsequent literature there has been no quarrel with this aspect of Gregory's distinction. Rather, its implicit acceptance has contributed to emergence of the previously mentioned notion of a 'spectrum' or 'continuum' of exchange transactions, with gift at one end and commodity at the other, accepted by those who are critical of Gregory's distinction (Valeri 1994), as well as those who are sympathetic to it (Carrier 1994a, 361, see also 1991 and 1995).<sup>5</sup>

Significantly, close analytical focus on the exchangeability of commodity and gift is not limited to recent literature but goes back to the originators of this debate, that is, to Malinowski and Mauss. In his classic text on the gift, Mauss (1925) is most heavily exercised by the obligation to reciprocate gifts in primitive society, while also seeking explanations for the obligation to give and the obligation to receive gifts. His answer in terms of the 'spirit' of the gifted object, the Maori hau that is attached to the person of the giver, has been extremely controversial.<sup>6</sup> Nevertheless, it is indisputable that the power of Mauss' great essay derives from his erudite discussion of the rules of 'legality and self-interest' that make for gift reciprocation. For Mauss, these rules show that even very simple communities are far removed from a 'state of nature', and that the obligation to reciprocate takes a 'contractual' aspect. Thus, Mauss is primarily concerned with the determinants of the gift's exchangeability (as property of the gift, even if not as quantitative proportion), and seeks them in the moral aspects of the gift relationship.

On the other hand, Malinowski (1922, ch. 6, also 1935, pt. I), evidently thinks that it is impossible to draw a sharp line between gift-type and commodity-type transactions. Exchange transactions are a continuum, with pure (i.e., non-reciprocated) gift on one end and pure commodity on the other. Mauss (1925), as is well known, rejected Malinowski's notion of the pure gift (mapula). Whatever other reasons might have caused this rejection, it is undeniable that 'pure gift' directly contradicts Mauss'

own emphasis on the 'contractual' obligation to reciprocate and effectively denies the existence of the gift's exchangeability. It is significant that Malinowski (1926), unusually for him, accepted Mauss' strictures and postulated the principle of 'reciprocity' as foundation for analysis of all early societies.<sup>7</sup> He effectively admitted that the notion of 'pure gift' was analytically incompatible with his exclusive focus on exchangeability as the distinguishing feature of gifts and commodities.

Strong concern with exchangeability is also evident in Malinowski's (1929, ch. 3) methodical listing of the series of gift exchanges incumbent upon marriage parties in the Trobriands. The questions that attract his attention are primarily related to gift exchangeability: Does it exist (i.e. is the gift reciprocated)? What forms does it take? How is it different from transaction to transaction? What are its moral and customary constituents? Furthermore, in dealing with exchangeability, Malinowski (1935, 45) took great pleasure in showing that quantitative ratios among products exchanged in these communities are neither stable nor transitive. Other anthropologists have also done so, before and after him (for instance, Firth 1959).

Preoccupation with exchangeability in the current and in the older literature rests on the largely unspoken assumption that it fully captures the character of the commodity. Commodity exchangeability appears intrinsic, complete, and precise: quid pro quo.<sup>8</sup> Given this, gifts can be positioned analytically according as the properties of different gift transactions approximate the features of exchangeability presumably exhibited by commodity transactions. Thus, gifts are not inherently exchangeable, they are not given as things that will necessarily elicit the return of another. Their ability to do so is circumscribed by a host of non-economic factors, moral, religious and customary. Not least, even when they bring a return gift, there is no precise quantitative equivalence between the two. Gifts, moreover, penetrate into areas of social life that are not immediately and obviously touched by the market: to give in order to establish a relationship and in expectation of a reciprocal gesture is fundamental to interpersonal relations, to family relations, to friendship, to relations at work, to political and social intercourse.

By this token, gift-giving appears to possess a transhistorical aspect that captures something of the deeper reality of human beings.<sup>9</sup> Given that commodity exchangeability (especially as exchange value and money price) is the province par excellence of economics, the appeal of the gift as vehicle for analysis of the non-market aspects of social life becomes apparent. The gift can act as terrain and metaphor for analysis of social relations that differ in kind from the cash-nexus at the heart of markets. It appears conducive to analysis of social obligation, trust, hierarchy, prestige, solidarity, and so on, in ways not available when analytical focus is on commodities and markets.<sup>10</sup>

From the standpoint of Marxist political economy, this approach is problematic. It is incontestable that a particular type of reciprocity characterises commodities: they are brought to market as exchangeable things and they bring back a quantitatively precise equivalent. But the point is that, for full commodity reciprocity to prevail, certain underlying social conditions are necessary, namely capitalist conditions. In capitalist society, commodity reciprocity is sustained, on the one hand, by the institutional framework of markets (consumers' associations, producers' bodies, best practice agreements, and so on) and, on the other, by the combined forces of the law of contract and the law of tort. At a deeper level, capitalist commodity reciprocity rests on an extremely detailed social division of labour, and on specifically capitalist property rights over productive resources. Thus, it cannot be immediately assumed that what holds for capitalist commodities also holds for commodities in different social settings. The point can be established by briefly considering the underpinnings of the 'market', i.e. of generalised commodity exchange.

The various forms taken by generalised commodity exchange (prices, exchange ratios, and so on) are apparent and have been widely analysed by social scientists. If we disregard those for a moment, generalised commodity exchange appears simply as the exchange of matter of different useful properties (products) across society. It is obvious that such an exchange of matter must necessarily take place in all societies based on a developed division of labour, if these are to reproduce themselves socially and



economically. But it is equally obvious that this does not have to happen through generalised commodity exchange. Indeed, historians and anthropologists have provided ample evidence for the wide diversity of social and institutional arrangements under which useful products can be exchanged across society. Commodity exchange is typically one of those, and it can be found in very many societies coexisting with the most disparate social structures and relations (as can elaborate and sophisticated monetary phenomena). Nevertheless, it can be safely asserted that, in non-capitalist societies, commodity exchange plays a minor role in the distribution and exchange of the social product, and is overshadowed by non-market mechanisms, including kinship, hierarchy, customary rights and privilege.<sup>11</sup> Generalised commodity exchange becomes the primary form of product exchange in specifically capitalist societies because these are largely characterised by the following two social conditions.

First, capitalist producers appropriate products privately, they are independent and in competition with each other. This is clearly necessary for the bulk of society's output to be offered for sale, rather than consumed directly by its producers, or passed onto others along kinship, customary or hierarchical lines. But it is not sufficient. For that, a second condition is required, namely existence of a labour market. To be able flexibly and rapidly to shift their activities among different products and areas (as must be the case if the bulk of output is to be produced for the market), producers must have access to flexible and disciplined labour-power that can be freely employed. In Marxist terminology, a working class must be present, i.e. a class that neither owns nor controls the means of production and earns its living mainly through the sale of the capacity to work. Conversely, if such a social class existed, there would also exist extensive markets for foodstuffs, clothing, housing, and so on, that is, for goods necessary for its reproduction. It is clear that both of these conditions can be found in partial forms in non-capitalist societies, but they are most fully met in industrial capitalism. In other words, the capitalist mode of production inevitably entails generalised commodity exchange, but commodity exchange is not capitalism.

Consequently, capitalist commodities possess a more fully developed exchangeability (exchange value) than non-capitalist ones. That is because the social conditions outlined above imply that capitalist commodities possess value as social substance (abstract human labour) and not only as form (price and exchange ratios), as shall be seen in more detail in section 5. Hence, the influence of moral, customary and traditional factors on their exchangeability is minimal. But fully to appreciate the importance of this point, the commodity cannot be treated merely from the perspective of its exchangeability. Instead, it is necessary at the same time to analyse the commodity as the useful product that it also is. The character of exchange value emerges fully only when its constant interaction with use value is analysed.

Equally, when use value is also considered, it quickly becomes apparent that commodities continually generate a huge range of non-market social relations. This is true for all commodities, and clearly so for capitalist ones. Capitalism is certainly not tantamount to destruction of the realm of moral obligation, custom and social trust. On the contrary, capitalist economic activities both presuppose and give rise to such social relations, including those of power. However, these cannot be adequately analysed by the notion of the gift, but require the notion of capital as economic entity. Money, profit and self-interest lurk close to the surface of capitalist non-market relations. Analysis of the role of use value in commodity exchange, in comparison with that of usefulness in gift exchange, is important in demonstrating this point.

### **3. Use value in commodity exchange, its role in trade credit as institutionalised trust, and a comparison with usefulness in gift exchange.**

Formal analysis of commodity transactions is incomplete when it ignores use value. For exchanges of commodities to take place at all, use value must exist for each participant in the product of the other. If use value was not present, or rather, if it were not precisely defined and functional for each party in the other's commodity, there would be no transaction. Moreover, if the transaction is to have any content at all, use value

must be different for the two parties. These points are obvious for direct commodity exchange but also hold for monetary exchange.

Use value is an endless source of non-market relations between buyer and seller. For the seller the commodity has no use value. Whether it counts as a use value for society at large, as well as how it will be deployed after purchase, are matters that the seller must deal with prior to exchange on the basis of information and expectations about the future. Sellers, moreover, cannot know from beforehand whether their anticipations hold true for a particular buyer.<sup>12</sup> The most that the seller can do is ensure that sufficient of the postulated use value has been imparted to the commodity prior to exchange. For the buyer, in contrast, the use value of the commodity must have a precise character deriving from the private use to which it will be put after purchase, be it consumption or production. Whether the required use value is found in the commodity bought depends on the properties of usefulness imparted to the commodity by the seller in expectation of sale, and on the accuracy of the buyer's judgement at the time of sale. None of these can be assumed perfect (other than as analytical device for particular purposes). If use value does not fully meet requirements, if it has superfluous aspects, if it needs to be calibrated more accurately for a particular buyer, then non-market relations emerge between sellers and buyers involving power, trust, moral obligation, custom, hierarchical ranking, and the like.

Non-market relations are apparent between small retailers and consumers, and the source of various folkloric types in both non-capitalist and capitalist societies (the trusted baker, the garrulous barber, the friendly butcher, the needy widow, and the like). These relations evidently hinge on the need precisely to specify and guarantee the use value of the products concerned.<sup>13</sup> On the other hand, when large merchant capital dominates circulation of commodities (supermarkets, department stores, etc.), both the imparting of use value to the product and its perception by the buyer are affected by standardization of quality, homogenization of packing, availability of several ranges of the same product, and display of great variety of goods in large stores. Consequently, advanced capitalist relations in the circulation of commodities also influence generation of non-market

relations among buyers and sellers. As Carrier (1994a, 1994b) has established, advanced capitalism implies the rise of more impersonal retail trade, but it cannot fully extinguish non-market relations attendant to commodity circulation.

These observations hold for commodities in markets for final consumption, be they non-capitalist or capitalist. However, profuse non-market relations hinging on use value also emerge in transactions among capitalist enterprises. These are important for the following two reasons. First, because they show clearly that capitalist exchange creates fresh terrain for relations of trust, moral obligation and commitment. Second, because the economic significance that these relations have for capitalist enterprises leads to their systematic organisation through institutional economic forms, above all through the credit system.

To be more specific, in any line of business, capitalist enterprises are connected in chains of productive and trading activities that spring from the technical and physical characteristics of their products, and which create relations of seller and buyer. Cotton goods makers are naturally connected with cotton cloth makers, who are connected to cotton spinners, who are connected to raw cotton merchants, and so on and so forth. The division of labour within a particular branch of economic activity is based on the characteristics, requirements, and specification of the use value of the product in question. The need to impart requisite use value to the product, to judge it accurately and to guarantee its existence, entails the rise of non-market relations of trust, moral obligation, reputation, and so on, among enterprises. At the simplest level, buyers come to expect a certain quality of product and service from their sellers, while the latter expect a certain commitment from the former. Such relations among capitalist enterprises are extremely important for the practices of credit that spontaneously emerge in capitalist markets.

Trade credit (i.e. the practice of buying commodities now and paying for them later, which should be distinguished from money lending) thoroughly permeates capitalist commercial activity.<sup>14</sup> The normal commercial manner of operation for

capitalist enterprises is to sell output and procure inputs against promises to pay a certain time hence. Money does not mediate these transactions but simply settles balances when credits are due. Trade credit relations evidently rely on a complex institutional and legal framework of guarantees, payment practices and clearing. Even more fundamentally, however, they rely on non-market relations of trust, reputation, and moral obligation among enterprises. Trade credit is unlikely to be extended in the absence of trust and commitment between enterprises. Its advance might also signify (and sustain) pronounced disparities of power between enterprises. In short, trade credit tends to emerge among enterprises connected in chains of business that derive from the use value of products and entail frequent buying and selling among participants. Without non-market relations among enterprises, trade credit and its instruments, markets and institutions would be largely impossible.

On the other hand, once the mechanisms of trade credit are in place (as part of the credit system) the nature of trust, commitment and moral obligation among all transacting parties in a capitalist economy is profoundly affected. Generalised access to credit and permeation of economic activity by credit relations imply that a monetary aspect is assigned to all non-market relations associated with exchange. Whatever other characteristics they might have, non-market relations emerging in capitalist exchange have a narrow economic dimension that translates into interest foregone, implicit interest rate differentials, debt duration and rolling over of credits. For this reason, the trust that underpins capitalist credit relations is profoundly noxious and always likely to turn into outright fraud. Extensive institutional mechanisms are necessary to police the edifice of promise and counter-promise that comprises the capitalist credit system. Neoclassical theory captures the inherently insidious aspect of capitalist trust through the concept of ‘moral hazard’.

Consider now the place of usefulness in gift transactions. Unlike the commodity seller, for whom use value does not exist in the product exchanged, for the giver of the gift, the gifted thing might or might not be useful, without an appreciable qualitative effect on the transaction. The recipient’s perception of the usefulness of the gift, on the

other hand, matters only as far as it affects the giver's assessment of the appropriateness of the gift. The giver alone has to ascertain the right degree of usefulness of the gift for the recipient, while also deciding how appropriately this meshes with the symbolic, sentimental, and moral aspects of the transaction. This is in sharp contrast with the commodity, for which, if the buyer perceived that use value did not exist, the transaction would not take place at all. Indeed, for the gift, usefulness might derive exclusively from the act of giving itself, as, for instance, from the prestige and social standing of the giver or past holders of the gift. There is no imperative on the part of the giver to impart usefulness to the gift.

Not only this but, for the gift giver, assessing the appropriate usefulness of a gift is a perilous and deeply uncertain undertaking. A thing of negligible usefulness is as likely to offend as to gratify the recipient. An eminently useful thing could produce a very different effect on the recipient according as the latter's circumstances changed. A gifted thing that is typically used by 'the wrong sort of person' (in terms of social standing) is also likely to cause offense (Carrier 1994b), as is a thing typically used by the 'wrong' age group. Examples of this kind could be easily replicated, and they reinforce the main point: usefulness is neither a fundamental nor a necessary aspect of the gift, though it cannot be extricated from the gift's symbolic and other aspects. While the commodity must be an intensely useful thing or activity, the gift might or might not be so. The precarious presence of usefulness in the gift is a source of uncertainty and danger among transacting parties.

Classical anthropology offers abundant evidence in support of this claim. In the marriage gift-exchanges in the Trobriands discussed by Malinowski (1929, ch. 3), essentially similar things frequently changed hands, but in different quantities. This meant, above all, raw and cooked food that was not significantly different in kind between the exchanging parties. Indeed, much the same food already existed in the parties' possession. It is, however, easiest to see the point in connection with the great gift exchange systems, kula and potlatch. In kula, the vaygu'a items are not sought for their usefulness, indeed they seem to be very rarely used for personal decoration, which

might have been their original use.<sup>15</sup> If they have a notable usefulness, that derives exclusively from the system of exchange itself and has no meaning outside it – typically to confer kudos and prestige to their holders according as other powerful and important men had held the objects in the past. Similarly, in potlatch exchanges discussed by Mauss (1925), though the items used were also clearly specified, such as copper ingots and elaborately woven blankets, the participants primarily accrued kudos and prestige from the process of exchange itself. Indeed, so secondary was the original usefulness of these items that the process could sometimes take the form of their ceremonial destruction, much discussed in the literature for its psychological, moral, and other implications.

It is not claimed here that usefulness is irrelevant to the gift. Return gifts, for instance, might be thoroughly checked for their qualities as goods, and sometimes accepted grumpily and with suspicion. Rather, the point is that, while usefulness (more precisely, use value) is an indispensable aspect of the commodity, it is not so for the gift. Thus, use value gives rise to a broad range of non-market relations of power, trust and custom between commodity sellers and buyers, which are absent between gift givers and recipients. Such relations among capitalist enterprises are the foundation of trade credit, which permeates capitalist exchange. But their character is marked by capital as economic activity.

#### **4. Commodity value, capital and the form of value.**

We can now turn to the exchange value of commodities and consider in more detail the importance of non-market influences on its determination. In Marxist economics the capitalist economy is normally perceived as a separate set of institutions and practices that is largely based upon market relations.<sup>16</sup> Production, exchange and distribution of society's output are thoroughly permeated by market relations; they appear as an integrated totality that obeys its own rules because of the universal presence of the market. However, this social fact does not arise because of the inherent properties of markets and commodities (a point that is often not appreciated in the commodity-gift literature). As already discussed, generalised commodity exchange results from the

underlying social relations of capitalism, that is, from developed division of labour, autonomous and competing producers, and existence of a working class detached from the means of production. The capitalist commodity, as a thing of use and a thing of value, rests on these underlying social relations.

It is uncontroversial that commodities always exhibit a quantitative equivalence with one another, in contrast to gifts, for which there is none, other than by chance. Yet, particular exchange ratios among commodities might prevail only temporarily. When exchange of commodities occurs haphazardly rather than systematically, exchange ratios among commodities are highly changeable and arbitrary. These changeable exchange ratios correspond to what Marx (1976, p. 139) called the “simple, isolated, or accidental” form of value, i.e., shifting expressions of the form,  $x$  of  $A = y$  of  $B$ , which are not consistently transitive among commodities. Greater regularity of exchange results in less arbitrariness and more transitivity of quantitative ratios among commodities, as well as a corresponding development of the form of value. According to Marx (*ibid.*, pp. 154-163), the “simple” form becomes the “expanded” (i.e.,  $x$  of  $A = y$  of  $B = z$  of  $C = w$  of  $D = \dots$ ), which becomes the “general” (i.e.,  $y$  of  $B, z$  of  $C, w$  of  $D, \dots = x$  of  $A$ ), which becomes the “money” form of value. The latter is similar to the “general” form except that now commodity  $A$  has become the money commodity. When the “money” form of value emerges fully, exchange has reached such regularity that unstable exchange ratios have become transitive money prices.

For our purposes, what matters is to specify the social relations and mechanisms that assign transitivity to quantitative ratios among commodities as the ‘money’ form is reached. In Marx’s mature analysis (1976, ch. 1) it is argued that quantitative ratios for capitalist commodities are transitive because such commodities are qualitatively equivalent with each other. This is because they all have a common substance of value (abstract human labour) that is created in the course of their production. Analytically specifying the substance of value is a thorny issue, which Marx (*ibid.*, 131-137) tackled through his distinction between concrete and abstract labour. The former is specific to person, time, place and skill, and produces the commodity’s use value. The latter is



general, featureless and homogeneous and provides the substance of the commodity's value.<sup>17</sup> What matters for us here is to specify the social conditions under which this takes place. Doing very rough justice to a host of difficult issues, it can be stated that these are the same as the conditions that allow generalised commodity exchange to emerge, namely capitalist conditions. When producers are autonomous and compete with each other, and when there is worker indifference among jobs and no hereditary rights to them, the various concrete labours behind commodities are in practice commensurated with each other. Thus, abstract labour as the substance of value is socially and historically specific, and is established as social norm through the process of market competition. This happens fully under conditions of industrial capitalism.

In this light, capitalist commodities exhibit transitivity of prices (quantitative equivalence) because they represent variable amounts of abstract labour.<sup>18</sup> This is not merely a speculative claim based on a set of definitions. On the contrary, it rests on the existence of well-specified mechanisms in capitalist economies, through which the value content of commodities imposes limits upon the variation of relative prices of commodities (their quantitative equivalence). If, for instance, the price of a commodity was systematically above what its value content would justify relative to others (i.e. its exchange ratio with others was above what it ought to have been), capital would move into the industry to take advantage of ensuing above-average profitability. The inflow of capital would cause an increase in supply and relative prices would fall until they were in line with the dictates of value content and average profitability. The opposite would take place if relative prices were below what they should be. Through the movement of capital, exchange ratios among commodities come to possess objective determination based on the underlying reality of value as abstract labour.

Value substance is largely absent, or very little developed, in non-capitalist societies, in which there are no social mechanisms systematically equating diverse concrete labours and transforming them into abstract labour. Specifically, though there are non-capitalist societies with developed division of labour, none of those remotely approaches the refinement of labour division under capitalism. Similarly, autonomy and

competition among producers with regard to output is rarely found in non-capitalist societies, and when it does, it never has the systematic and society-wide aspect of capitalist competition. Finally, though wage labour is a form of employment that can be found in non-capitalist societies, there is no broad and stable labour market, i.e., there is no working class that is separated from the means of production and moves freely between jobs. In short, in non-capitalist societies, commodity value is not a materially based social norm expressed through competition. This has profound implications for determination of the exchange value of non-capitalist commodities.

Exchange value of non-capitalist commodities is a formal property, unrelated to the deeper reality of production of social life.<sup>19</sup> For non-capitalist commodities, exchange value takes the “accidental” form when commodity owners meet each other randomly and occasionally, and it can even develop toward the “expanded”, the “general” and the “money” forms according as commodity transactions achieve frequency and regularity. But the exchange ratios among commodities, and even their money prices, heavily reflect custom and tradition that arise out of repeated transactions. There is no systematic connection of such prices with the production of material life, summed by abstract labour. Since exchange ratios of commodities in non-capitalist societies rest on custom and tradition, prices can be arbitrarily changeable and their transitivity problematic. By the same token, some prices (for instance, for cereals or wool) have historically exhibited remarkable stability, often lasting for decades. Such stability is purely the result of age-old repetition of the transactions concerned, and expresses social custom alone rather than value as deeply based social norm.

Nevertheless, even under capitalist conditions, there is a broad array of labours that do not count as value. Similarly, there are products and activities that cannot, or do not, count as commodities. As already mentioned, the capitalist economy claims a territory with its own structure for the reproduction of capital and of the mode of production as a whole. There are broad economic spheres of production, exchange and circulation of capital and surplus value, which subsume plain circulation of commodities and money turning it into an aspect of the circulation of capital. Moreover, they also

negatively define labours that do not produce commodities even though they may appear to do so. That is typically the case for workers employed in commercial activities (retail and wholesale), workers employed in the multifarious activities of the financial sector (such as banking and the stock market), workers employed in much of state-run health provision, and so on.

Analogously, there are capitalist activities and goods that assume the form of commodity without being commodities.<sup>20</sup> This could occur in the course of transition from non-capitalist to capitalist society as economic activity takes place simultaneously under different modes of production, or at different stages of the same mode of production. Here, typically, the more developed mode of production would heavily influence the less developed. When, for instance, large scale farming capital coexists with subsistence cultivation, it forces upon the latter several aspects of the commodity, such as monetary valuation of inputs and outputs, as well as purchase and sale of those in open markets. Apart from such phenomena, the commodity form may also be adopted by certain activities purely due to the form of money payment made. A typical instance is trading in land, which involves no labour in production but entails appropriation of surplus value as rent in view of property in land. Another is trading in insurance, which similarly involves no labour in production but allows appropriation of surplus value in view of concentration of money reserves aimed at covering accidents and unforeseen events. In the same category belong any number of purely social relations to which money is attached despite the fact that commodities are entirely absent, such as fines, bribes and corruption. The form of the commodity is attached to all such activities despite no commodity being produced or present.

Put differently, under capitalist conditions, the form of value can still be entirely detached from the substance of value. Products, assets (financial and other) and even social relations can, and do, assume the “price” form without a direct connection with value production. Regularity in such prices is attained through widely varying mechanisms, all of which involve a measure of non-market relations. For some of these prices there are economic mechanisms, which are unrelated to value creation but

contribute to price regularity: the price of land, for instance, results from discounting expected future rental income; the price of stocks from discounting promised future interest payments; the price of shares from discounting expected future dividends. Social validity and regularity also accrue as a result of repeated transactions that creates custom, or through legal and statutory mechanisms. The level of bribes (the ‘price’ of having something done), for instance, is pure custom deriving from repetition of the transaction. The level of fines, on the other hand, is legally set and might or might not reflect custom but is nevertheless validated through repetition.

We seem to have moved a long way from distinguishing between commodity and gift, yet the points made in this section are important for understanding the interaction of market with non-market forces in non-capitalist and capitalist societies. The commodity is a thing that is bought and sold; as such, it can be found in widely different social formations. But the similarity in form among market exchanges conceals great differences in substance of value. In most non-capitalist societies value substance is absent, and the exchange value of commodities directly reflects custom, accident, moral and social imperatives, hierarchy and power. Under capitalist conditions, commodity price has to comply with underlying economic realities of value as abstract labour. Moreover, because of the characteristic social structure of capitalism, these economic realities (which rest on institutional, historical, and other factors) are expressed through the market. Most characteristic of all, the types, quantities and quality of goods consumed by workers assume the form of real wages. Institutional, historical, moral and customary factors no longer influence the norm of consumption directly, as they do in non-capitalist societies, but are subsumed under a price form, the wage rate.

Even under capitalist conditions, however, the commodity form is adopted by a wide variety of activities that are unrelated to value as abstract labour or even unrelated to the economy altogether. Prices of land, of shares, of stocks, of insurance, of bribes, and so on, are strongly influenced by non-market factors. This need not imply the complete absence of economic mechanisms in determining them, as, for instance, in the discounting mechanisms of the financial markets. But it does mean that there is far less

compulsion exercised by material reality on their determination than for commodities for which value substance is present. By this token, the influence of non-market factors (for instance, moods of optimism or probity in payment) in determination of prices unrelated to value substance is very important.

## **6. Conclusion**

The distinction between commodity and gift is problematic as guide to analysis of market and non-market relations. Better results can be obtained by employing the concept of capital, as that was understood by classical political economy and Marx. This was demonstrated in two separate but related ways.

First, it was shown that commodities should not be analysed simply in terms of the quid pro quo characteristics of their exchange. Commodities are also intensely useful - they must possess use value. Analysis of the role of use value in commodity transactions shows that non-market relations are systematically generated by commodities. Markets not only rely on relations of moral obligation, power and custom but continually give rise to those. Thus, capitalism is not distinguished from non-capitalist societies by destruction and marginalisation of non-market relations. On the contrary, non-market relations are systematically created and play an important economic role in capitalist economies, typically in the operations of the credit system. What sets capitalism apart is that non-market relations are heavily influenced by the motives, aims and practices of capital as economic activity.

Second, by differentiating between value substance and value form, it was shown that the exchange value of commodities should not be exclusively associated with market relations. The concept of capital is vital in this respect too. Value substance (abstract human labour) becomes established as social norm under explicitly capitalist conditions of production and exchange. In contrast, value form (money prices and exchange ratios) is regularly found in non-capitalist societies. When value substance is absent or insignificant, as in non-capitalist societies, commodity prices are heavily influenced by

custom, power and social obligation. Nevertheless, it was also shown that many social activities in advanced capitalism adopt the form of commodities and have money prices while being unrelated to produced commodities and the substance of value. Typical among them are trading in land, insurance and financial assets, in determining the prices of which non-market relations play an important role.

## Notes

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<sup>1</sup> For a powerful critique of this rather incoherent notion see Fine (2001).

<sup>2</sup> See Granovetter (1990) for an overview.

<sup>3</sup> Though he appeared to deny that in later work, arguing that his aim was to analyse the ‘efflorescence’ of gift exchange in a world dominated by commodities (1997, p.47-8).

<sup>4</sup> Gregory (1997, ch. 2) has, in turn, claimed that Parry overemphasises the importance of Brahminical ideology in this context.

<sup>5</sup> Gregory (1997, ch. 2) vigorously rejects ‘continuum’ arguments in favour of binary or polar oppositions. The analytical stance adopted in this article is, in principle, close to that of Gregory, but the binary opposition he has suggested (commodity-gift) cannot adequately serve the purposes for which he intends it. This is because the commodity contains the more fundamental binary opposition between use value and exchange value, which Gregory ignores.

<sup>6</sup> Firth (1929) showed very early on that Mauss misinterpreted the Maori text, and Radcliffe-Brown (1950) has noted the mystical aspect of his argument.

<sup>7</sup> Malinowski’s discussion of ‘reciprocity’ is based on naïve psychological foundations, and aims at disproving the notion of ‘primitive communism’. His efforts bespeak the influence of a mind trained in economics and not troubled by transforming the quid pro quo of capitalist markets into a universal principle. Firth’s assistance is, of course, gratefully acknowledged in the preface of Crime and Custom in Savage Society.

<sup>8</sup> ‘Appears’ is the operative word here. Commodity exchangeability is none of these things immediately and automatically but must become them, and must continue to do so even under developed capitalist conditions. Seeking sale is always fraught with uncertainty.

<sup>9</sup> In this vein, analytical analogues have been sought between gift-giving and language. For a well researched attempt see Caplow (1982, 1984).

<sup>10</sup> Even when new analytical directions are sought in this field, such as that of things-non-exchangeable (Weiner 1985, 1992), the underlying approach remains the same. It is implicitly assumed that the character of commodities derives from their exchangeability, while the character of gifts derives from exchangeability that is less complete than that of commodities. Thus, the character of things-non-exchangeable (for instance, religious sacra or the crown jewels) is seen to derive from the complete absence of exchangeability. For Gregory (1997, p. 71), who has in later work adopted the notion of ‘goods’, i.e., things-not-exchangeable, ‘a good is a priceless non-commodity whose value as a good is to be explained with reference to historically specific relations of consanguinity’. Despite the anthropological erudition attached to it, this is an entirely derivative concept, defined (negatively) in terms of the exchange value of the commodity. In this light, it is remarkable that Godelier (1999) could claim that things-non-exchangeable are the true foundation of society, fixed points of reference which provide meaning and continuity to social intercourse.

<sup>11</sup> Polanyi’s (1957) concepts of ‘redistribution’, ‘reciprocity’ and ‘exchange’ also capture the different economic and social arrangements through which use values find their final destination in society. Polanyi posited those as methods of integration of society, i.e., as mechanisms for securing social coherence. For analysis of social integration, however, the concept of reproduction (social and economic) possesses greater analytical potential.

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<sup>12</sup> Custom-made commodities confirm rather than negate this statement: use value is stipulated in advance by the buyer, relieving the seller from the need to arrive at a forecast.

<sup>13</sup> They also arise out of the simple fact of repetition of particular transactions, i.e., the regular purchase of a good or service from a particular outlet leading to habit and a sense of moral obligation among the parties. Repetition is also important in emergence of non-market relations in transactions among capitalist enterprises. Analysis of its significance, however, seems more suitable to psychology than economics.

<sup>14</sup> For more on the qualitative difference between trade credit and money-based (banking) credit see Itoh and Lapavitsas (1999, ch. 4).

<sup>15</sup> Malinowski (1922, ch. 4) had an ill-disguised contempt for the aesthetic qualities of vaygu'a and appeared to think that they have no usefulness at all. However, the fact that the original use to which a thing is put has become submerged under some other does not mean that it has disappeared. Usefulness is necessarily built into a thing in the process of its production. A ceremonial ax (beku) is still an ax even though it might not be used to cut wood.

<sup>16</sup> This is no longer a novel view in social science. The old anthropological debate between substantivists and formalists, for instance, revolved around the significance of this point for analysis of non-capitalist societies.

<sup>17</sup> It is worth stressing that, as such, concrete labour offers little insight into the social relations on the basis of which it occurs. In itself, concrete labour is a set of natural and physiological processes. This stands in sharp contrast with our earlier result, namely that usefulness and its deployment are very much socially determined. This issue is more fully discussed in Fine and Lapavitsas (2000).

<sup>18</sup> That does not mean that price ratios are 'proportionate to' abstract labour ratios. It has been well understood since the time of Adam Smith that the labour theory of value does not provide a precise theory of relative prices. This is precluded by formation of a general rate of profit among capitalist enterprises (and by rent paid for property in land).

<sup>19</sup> The distinction between form and substance of value has given rise to a very extensive literature in Marxist economics. The approach taken here owes a heavy debt to the Uno tradition of Japanese Marxism (Uno 1980).

<sup>20</sup> This issue is more fully discussed in Fine and Lapavitsas (2000).



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