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created a hiatus in the chain of command, led older officials of the company to oppose him and mobilize rank-and-file sentiment against him, and so on. More recently Robert Guest has studied the effects of the arrival of a new manager whose emphasis was not on discipline and rule-enforcement, but rather on worker participation in decisions. Correspondingly, according to Guest's study, his arrival did not stir the conflict and loss of morale observed in Gouldner's study. Indeed, in Guest's study the arrival of a new manager increased the effectiveness of authority.[52]

Distribution and Exchange

The Comparative Analysis of Exchange Systems

Our exposure to economic thought for two centuries has led us often to assume that the exchange of economic goods and services occurs in a market. Even in our own market-dominated society, however, we must contend with several forms of exchange that defy analysis by traditional economic categories of supply and demand, price, interest, profit, rent, and rational calculation of economic gain:

1. The gift for a bride or baby, the services of a friend's wife who prepares dinner, the "good turn"—all are exchanges of goods and services of potential market value. To offer to pay in such exchanges, however, is both inappropriate and insulting. Furthermore, any calculation that enters these exchanges is better attributed to the "rationality" of social reciprocation or status-seeking than to the calculation of economic gain.

2. The redistribution of wealth through charity or progressive taxation is again an exchange of potentially marketable commodities. While the economist may analyze the repercussions of these exchanges in the market, his categories of maximization, prices, and returns seem distant from the social rationale which initiates such redistribution.

3. The mobilization of economic resources for public goals—through eminent domain, taxation, direct appropriation, and selective service—involves the transfer of economic goods and services without the intrusion of an economic market. These exchanges affect the level of production, prices, and income in the market, but the concepts of the market do not explain the original exchange.

On the other hand, we still observe the market in varying degrees of perfection,[53] and we know the value of the economists' theoretical apparatus for explaining and perhaps predicting the course of market behavior. What, then, is the scope of economic analysis in the matter of exchange? What are the spheres of economic calculation that justify the postulate of economic rationality? No matter what our final answers, we must conclude in advance that contemporary economic theory cannot generate specific solutions for *all* the flows of goods and services, even in societies amenable to economic analysis.

In societies where the self-regulating price market is inconspicuous or absent, the categories of economic analysis grow paler. What can we say

[52] *Organizational Change: The Effect of Successful Leadership* (Homewood, Ill.: Dorsey, 1962). For a comparison of the studies by Gouldner and Guest, cf. Guest, "Managerial Succession in Complex Organizations," *American Journal of Sociology* (1962), 68: 47–54, with comment by Gouldner and rejoinder by Guest, pp. 54–56.

[53] Above, pp. 9–10.

about fluctuations of production and prices in the Soviet Union? Certainly the solutions for free-market economies have their limitations. Even more, what can we say about the traditionalized and reciprocal gift-giving among island peoples which does not hint at economic calculation, prices, or gain? What can we say about the post-harvest distribution in Indian villages in which the guiding principle is caste organization? What can traditional international trade theory say about the isolated trading port with fixed exchange equivalencies that rule out price-determination by supply and demand?

Economic anthropologists have been providing ethnographic descriptions of non-market exchange systems for some time.[54] In the past few years a new interest in comparative exchange has been stirred by the appearance of a volume edited by Karl Polanyi, Conrad Arensberg, and Harry Pearson.[55] Roaming through the records of Babylon, Mesopotamia, Greece, Mexico, Yucatan, the Guinea Coast, and village India, they sketch a picture of the separation of trading practices from the familiar practices of free-market exchange. In addition, the authors prepare a critique of the analytic power of traditional economic theory and suggest some alternative categories for a better comparative economics.

On the basis of their studies, Polanyi and his associates suggest that economic activities fall into three main patterns of exchange. The first, which they call *reciprocative*, is illustrated by the ritualized gift-giving among families, clans, and tribes—as analyzed, for instance, by Malinowski and Mauss.[56] Another illustration is found among farmers of many civilizations, who frequently "pitch in" to work for one another, especially at harvest times. Economic calculation, price payments, and wages are typically absent in these types of exchanges. Goods or services are given because it is traditional to do so; the only principle of calculation is the loose principle that the giving and receiving of goods or services should "balance out" among the exchanging parties in the long run.

The second pattern of exchange is *redistributive*. This involves bringing economic goods and services to a central source—usually governmental—and then redistributing them throughout the populace. Polanyi, Arensberg, and Pearson identify several instances of this exchange pattern in ancient Asian and African civilizations. Modern examples are organized charity and progressive taxation. Like reciprocative exchange, redistributive patterns are characterized by an absence of economic calculation and price payments. In this case the principle of calculation seems to be one of "justice"—i.e., what each class of recipients traditionally deserves.[57]

The third pattern of exchange, more familiar in modern Western civilization, is termed, simply, *exchange*. In this case economic goods and services are brought into a market context. Prices are not standardized on the basis of tradition, but result from bargaining for economic advantage.

Polanyi, Arensberg, and Pearson argue that formal economic analysis is equipped to handle only the third type of exchange, and that a different

[54] Above, pp. 17–18.

[55] *Trade and Market in the Early Empires* (Glencoe, Ill.: The Free Press and the Falcon's Wing Press, 1957).

[56] Above, pp. 18–19.

[57] For a criticism and extension of the notion of redistribution, see my review article, "A Comparative View of Exchange Systems," *Economic Development and Cultural Change* (1959), 7: 173–182.

brand of economic theory is needed to analyze exchange systems that are embedded in non-economic contexts. In fact, redistributive and reciprocative systems might be studied fruitfully by examining kinship, stratification, and political systems rather than economic activities as such. Clearly we must modify the assumptions of traditional economics, which have evolved in the study of market economies alone, if we are to create a more comprehensive comparative economics.

Non-economic Elements in Market Systems

Thus far we have focused on exchange systems that are dominated by sanctions other than economic supply and demand. Even in exchange systems dominated by the price complex, we can observe the intrusion of sociological variables. In the remaining discussion of distribution and exchange, we shall sample the empirical research that illuminates three types of markets: the market for labor services, the market for entrepreneurial services, and the market for consumers' goods.

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The Labor Market

A central theme in the imperfection of the labor market is the accent on security. This theme underlies workers' concerns with controlling the supply of jobs through closed shop and apprentice control, seniority, layoff rules, severence pay, guaranteed annual wage, and their broader concerns with maintaining full employment through public policy, compensating for unemployment, and so on. Unlike markets for entrepreneurial services (which is built on risk), capital funds, and consumers' goods, then, the labor market is dominated by a concern with security.[58]

Why should this be so? Labor supply emanates above all from the household or family unit.[59] The family, moreover, has as its central functions—in modern society almost as its only functions—the socialization of the young and the expression of emotions and tensions of the family members. The loss of income or employment seriously threatens the performance of these delicate functions.[60] We find in most societies certain institutionalized arrangements—poor laws, minimum-wage laws, insurance, charity, compensation, welfare funds—that insure a family against "bankruptcy" in the usual business sense. A family may break up, but it is felt that it should not do so for reasons of pure and simple insolvency. Thus we frequently find institutional arrangements that guarantee a "floor" of economic security for families and an element of stability of its income and employment. Such arrangements stem from the distinctive sociological functions of the family.

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Why should not the market for consumers' goods—which involves the household as well—be characterized by a similar preoccupation with security? The answer lies in the nature of occupational roles. The breadwinner typically has an all-or-none relation with his job; he is either employed or unemployed. If unemployed, his *total* flow of income stops.[61] In the market for consumers' goods, the family spreads its expenditures over a wide range of items, none of which dominates the budget in a way comparable to the work role of its breadwinners.[62] All the family's eggs are never in one consumer's basket.

So much for the factors that condition the broad structuring of the labor market. Considerable research has been conducted on detailed aspects of allocation and performance within a labor market—especially on labor mobility (or turnover) and absenteeism.

Several economic and social factors influence the rate of labor turnover. During times of prosperity the rate of voluntary labor mobility from job to job rises; during depression this rate falls. Involuntary layoffs increase during depression and decrease during prosperity. Economic fluctuations constitute perhaps the most important single determinant of labor mobility. Other influences are occupation (the average turnover of teachers, for instance, is much lower than that of factory workers); age (older workers tend to change jobs less); sex (women move in and out of the labor force more than men, but probably do not move geographically and occupationally so much); and race (Negro men tend to show higher mobility rates than white men). Labor unions *directly* reduce rates of quitting by their pressure for seniority, their opposition to newcomers to plants, and their grievance procedures that help solve labor problems short of forcing the laborer to quit work. Insofar as unions agitate for full-employment programs (and prosperity), however, they *indirectly* increase voluntary rates of quitting and decrease involuntary layoffs.[63]

Research conducted under the auspices of the Tavistock Institute in London focuses on the internal conditions of the "factory as an industrial institution," as a source of determinants of labor turnover. Particular determinants that are stressed are the factory's authority patterns, internal conflicts among departments and within departments, and so on—all of which presumably augment quit rates. Several items of research appear to strengthen their arguments, but others challenge their conclusions.[64]

Some of the conditions that appear to encourage absenteeism are high wages (which lead to the backward-sloping supply curve and a preference for leisure); distance of residence from a plant; size of firm (which is undoubtedly related to morale); occurrence of holidays (absenteeism drops just before holidays); age (young men display absenteeism more than old); marital status (single more than married men); and arduousness of work

[58] Lloyd G. Reynolds, *Labor Economics and Labor Relations*, 3rd ed. (Englewood Cliffs, N. J.: Prentice-Hall, 1960), pp. 10–12. This is not to say that the concern with security "explains" everything that unions ask for and do. See above, pp. 52–53, for a comparison of several schools of thought on the origin of industrial disturbances.

[59] Talcott Parsons and Neil J. Smelser, *Economy and Society* (Glencoe, Ill.: The Free Press, 1956), pp. 53–56.

[60] E. Wight Bakke, *Citizens Without Work* (New Haven: Yale University Press, 1940), pp. 109–242.

[61] These statements must be qualified by the facts that some families have more than one breadwinner and that, especially in modern times, some unemployment compensation often awaits the unemployed.

[62] In expenditures on health and education, however, both of which are intimately tied to the family's own functions, the same concern with security appears.

[63] Reynolds, *op. cit.*, pp. 311–312, 390–392; Herbert S. Parnes, *Research on Labor Mobility* (New York: Social Science Research Council, 1954), pp. 140–143; Hilde Behrend, "Normative Factors in the Supply of Labour," *The Manchester School of Economic and Social Studies* (1955), 23: 62–76.

[64] A. K. Rice and E. L. Trist, "Institutional and Sub-institutional Determinants of Change in Labour Turnover," *Human Relations* (1952), 5: 347; Hilde Behrend, "A Note on Labour Turnover and the Individual Factory," *Journal of Industrial Economics* (November 1953), 2: 58–64.