

METHODOLOGICAL INDIVIDUALISM AND THE EMERGENCE OF INEQUALITY

by

Ali Rostamiyan

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Approval

Name: Ali Rostamiyan
Degree: Master of Economics
Title of Thesis: Methodological Individualism and the Emergence of Inequality

Examining Committee:

Chair: Christoph Luelfesmann
Professor

Gregory Dow
Senior Supervisor
Professor

Krishna Pendakur
Supervisor
Professor

Clyde Reed
External Examiner
Professor Emeritus

Date Defended/Approved: December 16, 2010



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Abstract

Methodological Individualism (MI) is one of the fundamental postulates of the research program of economic theory. This study attempts to illustrate how MI fails to address the essential reasons for the emergence of inequality as a large-scale socioeconomic phenomenon in prehistoric societies. It is claimed that the explanatory power of MI is not sufficient to construct a sound explanatory theory about prehistoric socioeconomic inequality. Therefore, this study operates at two levels of analysis. On the theoretical level, we study historical periods of emergence of centralized power in early societies. We try to argue that socio-political changes in transegalitarian societies transformed existing institutions into particular social rules that helped self-interested aggrandizing leaders to establish their socioeconomic authority. We also discuss how such institutional drift was an “artificial selection” in Darwinian terms, and so was unevolutionary in that sense. On the metatheoretical level, using the theoretical implication from previous level, the methodological adequacy of MI in explaining the emergence of inequality is challenged. MI as a methodological position fails to address the most important determinant factor (social relations) which engendered and sustained the stratified social formation and authoritarian polity. A sound methodological framework must address the theoretical role of social and economic interrelations among human subjects in addition to their individualistic attitudes and preferences. This approach, which would help one to incorporate the inter-relational level of economic activities, is sketched in the last section by introducing Methodological Structuralism (MS).

Keywords: Methodological Individualism; Prehistoric Inequality; Institutionalism; (Post) Structuralism

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Introduction

The purpose of this study is to show how methodological individualism fails to address the emergence of inequality as a large-scale socioeconomic phenomenon in prehistoric societies. Methodological Individualism (MI) is a methodological position based on epistemological atomism in social sciences, which bases the explanation of any phenomenon on the individual. That is, in MI individuals are taken as the ultimate explanatory units in analysis; things are explained in terms of individuals' attitudes and aptitudes. Contrarily, Methodological Collectivism (MC) – based on epistemological holism – stresses super-individual holistic totalities such as culture and classes as explanatory units. While mainstream economic theories¹ commonly endorse MI, some heterodox approaches (particularly of Old Institutionalism and Marxism) challenge the plausibility of this methodological position in economic explanation.

The appraisal of MI in this study is primarily an external criticism. That is, by highlighting a large-scale phenomenon (inequality in early societies), the credibility of MI as a methodological entry-point to explain it is assessed and criticized; accordingly, it's claimed that the explanatory potency of MI is not sufficient to construct a sound explanatory theory about prehistoric socioeconomic inequality. Therefore, this study operates at two levels of analysis.

On the theoretical level, we study historical periods of emergence of centralized power in early societies. In sum, it will be argued that socio-political changes in transegalitarian societies transformed existing institutions into particular social rules that helped self-interested aggrandizing leaders to establish their socioeconomic authority. It also will be discussed that socio-political changes during the transition from nuclear families to bands and tribes is consistent with the term “evolution” in the Darwinian sense. This “natural-selection” evolutionary process was accompanied by egalitarian forms of sociality, in the sense that early bands and tribes didn't develop the ranked society and authoritarian

¹ At least after the paradigmatic revolution of marginalism and the historical turnover from traditional political economy to neoclassical discourse.

leadership. Then attention is drawn to transegalitarian societies (Big-man societies and early chieftainship), where we see how economic inequality emerged through social differentiation organized by a centralized political system. This system was supported by a production surplus distributed in an inegalitarian economic form, which clearly reflected class conflict. The central point is that such differentiation occurred through institutional changes in existing social rules/customs/habits; this will draw our attention back to the metatheoretical considerations.

On the metatheoretical level, the usefulness of MI in explaining the emergence of inequality (as a large-scale socioeconomic phenomenon) is challenged. MI as a methodological position fails to address the most important determinant factor (social relations) which engendered and sustained the stratified social formation and authoritarian polity. While individual characteristics (in our case, aggrandizing attitudes among some agents) do play a great role in the identification of inegalitarian conditions, they do not explain the major channels through which such characteristics were constrained, realized and embodied.

We will see how those channels and processes (institutional arrangements), in their very evolutionary nature, can't be explained *only* in terms of individual decision-making processes. In the case of the emergence of inequality, it will be discussed how focusing exclusively on the controlling or the controlled individuals would overlook the very specific social patterns that feed into inegalitarian socioeconomic formation. Thus, a sound methodological framework must address the theoretical role of social and economic interrelations among human subjects in addition to their individualistic attitudes and preferences. This approach, which would help one to incorporate the inter-relational level of economic activities, is sketched in the last section by introducing Methodological Structuralism (MS).

Section 1 addresses MI in general. It has to be made clear from the outset that we're addressing the most practiced version of MI in economic theory. Due to the confinement of the present study we will narrow down our focus to the version of MI which is received (implicitly) and practiced (explicitly) by mainstream economists as the methodological foundation of economic analysis. It should be noted that among

methodologists there's an elaborate literature on different versions of MI (such as psychologistic individualism, institutional individualism, etc) that can/should be taken into account if one seeks a deep understanding of the subject matter (Aggasi, 1975; Boland, 1988, 2003; Hodgson, 2007). However, in this paper we remain focused on the most popular, yet not subtle, version of individualism, which is atomistic/psychologistic individualism²; since most practitioners in the discipline perceive MI in this way.

Section 2 concisely elaborates on some theoretical considerations regarding historical specificity and the necessity to consider social context in explanation, in order to add more realism to economic explanation. This is where the exogeneity of preferences and heterogeneity of the individual through social change is considered. These considerations are followed in section 3, where the evolutionary basis for such historical specification is grounded on a Darwinian framework. It's very important to set apart the Darwinian notion of evolution from other popularized versions of evolutionary theories, because it's often misunderstood as a natural progressive optimizing adjustment of species. Here we emphasize that this is not an implication of "natural selection" in an economic setting.

Section 4 summarizes historical evidence on the emergence of inequality in early societies. There are a variety of anthropological and archaeological theories dealing with this topic. Some anthropologists believe that socioeconomic inequality came to life for the sake of the common good, because it resulted in improvements in technologies of defence and production (Saitta, 1999; Diehl 2000). Some believe that it emerged to serve self-regarding interests of elites at the cost of exploitation of the majority (Earle, 1997; Roscoe, 2000). Others argue that the sources have to be sought in ideological determinants such as cultural and religious habits of thoughts (Pauketat and Emerson 1997; Cauvin 2000; Van Dyke 2004). It's reasonable to categorize these archaeologist theories into "ideological-base" and "political economic-base", where this study follows the latter approach. Following Hayden and Villeneuve (2010) and Samuel Bowles (2009),

² '*Psychologistic individualism* is the (narrow) version of individualism which identifies the individual with his or her psychological state' (Boland, 2003, 33). The very important theoretical consequence of adherence to the psychologistic version of MI is that it leads to excessive exogeneity of preferences. That is, every factor that can't be reduced to psychological characters or a natural endowment has to be taken as an exogenous variable. The defects of this postulate are analysed through this study.

it will be argued that ideological forces and processes, through their institutional drift³, did play a supporting role in generating centralized power. Nonetheless without the material economic factor (production surplus) that finances the power institutions, those forces could not sustain the authoritarian power in the long run. In this political economic context, we will argue that the socio-political hegemonic governance was established through institutional drifts of existing spontaneous social rules⁴.

Aside from anthropological description of social formation of transegalitarian societies, the central theoretical point is to elaborate the impact of institutional change on socioeconomic relations. Through the social relations formed by such institutional drift, the aggrandizing characters of leaders were embodied in the form of social stratification and political economic inequality. The central point of the above scenario is how individuals' interrelations are formed in the social context of institutional change/drift. In this study, such change is interpreted and reviewed in the evolutionary framework of Darwinism. We will see how the aforementioned institutional drift occurred contrasting the "natural selective" process of spontaneous orders.

Section 5 describes the reasons why MI falls short in explaining large-scale (social) inequality. In this section, after considering the importance of social interrelations and the modern conception of "structure", methodological structuralism (MS) is put forth as a more plausible methodological position in the explanation of socioeconomic phenomena.

³ "*Institutional drift*" refers to degenerative institutional change that results in prohibitive, rather than facilitative, social orders. It attends to the fact that some institutions that are initially formed to facilitate individual's interactions turn out to be obstructive due to some changes they take on over time (Hamilton, 2005). In our historical case we will discuss about institutional drift of some defining institutions in transegalitarian societies.

⁴ The distinction between spontaneous and organized (designated) order is primarily elaborated by Austrian economists, particularly Carl Menger and Friedrich Hayek. Spontaneous orders are defined as those institutional arrangements that have been formed and evolved by non-directed evolution, through a process of self-organization (such as Language or Money). On the other hand, organized or designated orders are of those institutions that are formed and developed on the basis of intended objectives and deliberate management (such as "The Inquisition" in middle-age Europe). We will discuss how institutional drift in transegalitarian societies led to the transformation of specific spontaneous institutions to organized ones. For more elaboration about Spontaneous order (*Kosmos*) and Organized orders (*Taxis*), see Hayek (1973, 1976).

1: Methodological Individualism

Methodological individualism is the view that allows *only* individuals to be the decision-makers in any explanation of social phenomena' (Boland, 2003, p31). This doctrine was introduced to economic theory by Schumpeter (Schumpeter 1909) and was elaborated by Hicks and Machlup in the 1930s. It was embraced by Austrian economists such as Von Mises and Hayek in the 1950s and eventually became a fundamental theoretical postulate for neoclassical and Austrian school economics. The doctrine infiltrated philosophical debates through works of Popper (1945) and his student Watkins (1952) and provoked a lot of theoretical controversies.

The aforementioned definition of MI stresses that the individual is the only origin of agency and intentionality in social explanation. This view doesn't exclude the possibility that the agency is influenced and affected by super-individual phenomena. However, it emphatically highlights the individual as the focal point for all decision-making processes. In this sense, MI, is not a reductionist methodological position. Even though individuals are defined as the singular source of decision-making, there's still room to incorporate variables and determinants that may *form* the process of decision making. Technically speaking, this definition doesn't rule out the role of social or collective phenomena in the formation of agency. For instance, one can start his theory based on MI and yet include the impact of cultural forces in formation of individual preferences.

Nevertheless, this critical definition is essentially different from what Schumpeter advocates as a disciplinary demarcating device. In his view, in "pure theory" of economics, 'one starts from the individual in order to describe certain economic relationships' (Schumpeter, 1908, p 91, quoted by Hodgson (2007)). Although he strongly accepted that the individuals' mentalities and preferences could be (re)formed and (re)constructed, Schumpeter argued that in "pure theory" we take the process of preference formation out of the frame of analysis. In other words, we take preferences as an exogenous variable. However, he goes further to coin the term "sociological individualism" which implies the influential role of those social phenomena in individual decision making and actions (Schumpeter, 1954, p 888). Engagingly, this later definition

has led to a more subtle version of methodological individualism which critical thinkers deploy today.

1-1: MI and Individuals' Interrelations

Having considered the Schumpeterian sociological concept of individualism (which is to be described later in more detail), one can conclude that his advocacy of individualism is primarily methodological; that's to say, this version of individualism does not necessarily subscribe to an atomistic view about social ontology⁵. In other words, this methodological position does not imply the reductionist view that the properties of collective phenomena are nothing but the aggregation of individuals' characteristics. This is a very vital theoretical demarcation which is noted by critical thinkers like Hayek, Popper and Boland. It's worthwhile to quote this crucial note of Hayek here:

'The overall order of actions in a group is in two respects more than the totality of regularities observable in the actions of the individuals and cannot be wholly reduced to them. It is so not only in the trivial sense in which the whole is more than the mere *sum* of its parts but presupposes also that these elements are related to each other in a particular manner. It is more also because the existence of those relations which are essential for the existence of the whole cannot be accounted for wholly by the interaction of the parts but only by their interaction with an outside world both of the individual parts and the whole' (Hayek, 1967, 70-71).

This "interaction with an outside world" indicates that the critical version of MI should not be taken as an ontological position which upholds atomism. Any large-scale phenomenon consists of such interaction that is often formed by forces and patterns which operate at the super-individual level. In this regard, one can say that taking the

⁵ 'Atomism is in essence an analytical doctrine. It regards observable forms in nature not as intrinsic wholes but as aggregates. In contrast to holistic theories, which explain the parts in terms of qualities displayed by the whole, atomism explains the observable properties of the whole by those of its components and of their configurations.' (Encyclopaedia Britannica, 2009).

For more elaboration see:

<http://plato.stanford.edu/entries/atomism-modern/>

individual as the *only* decision-making entity in analysis must not result in omission of considering determinants on decision-making patterns. In other words, there are some socioeconomic phenomena that can't be explained in terms of individuals' exogenous preferences *alone*; technically speaking, individuals' processes and behaviours resulting from individual characters and intentions sometimes can't provide *sufficient conditions* to elaborate an explanation of a socioeconomic phenomenon.

To give an illustrating example, in our archaeological case the individual characters of aggrandizers are marked given, and accounted as a *necessary condition* of transformation from egalitarian managerial leadership to inegalitarian exploiting authority. However, this is not *sufficient*; we will see that establishment of a centralized polity in early societies was carried out through specific institutional changes or drifts. The change in social rules and customary attitudes influenced the relationships among individuals so that one group (the minority/the elites) became privileged over the other (the majority/commoners). The individual character of aggrandizing could not realize itself on a social scale without the pre-existence of specific institutions. The institutions, which themselves were structured by an accumulation of individuals' choices, mediate the individual intentionality; we will stress this *dual causality* throughout this study.

Kenneth Arrow, by stressing the irreducible role of technical information and social knowledge, argues that 'every economic model one can think of includes irreducible social principles and concepts' (Arrow, 1994, 2). There are always some social principles or rules in economic events that can't be reduced to isolated individual entities. The social knowledge, in its very historical and practical nature, is always something more than the aggregation of existing individuals' knowledge. Arrow put his finger on an important social concept, since the social knowledge is embodied in institutions which conduct and constrain specific forms of knowledge.

For instance, the "financial market" as an institution is ontologically constructed by the financial decisions of individual agents. However, the *emergent* properties⁶ of this

⁶ The core idea of emergentism is that a system or a structure – as a whole – may have some properties that are entirely independent to properties of its constitutive parts. Such properties are called emergent properties. While the existence of a whole is dependent on the existence of its parts from a physicalistic point of view, some autonomous properties may emerge from such dependent existence that is totally →

institution, operating through its norms, rules and conventions, essentially influence each and every individual decision made in this market. The social processes that work through institutional arrangements *emerging* from the collection of individual decisions encompass every individual decision. This context which constrains the individual behaviours may be far away from the nature of the motives of individuals. This is why, in our example, any attempt to explain the dynamics of the financial market requires the understanding of strategic choices, expectations and options available to individuals through institutional arrangements. In short, theoretically speaking, this is why any micro-analysis inevitably requires the understanding of the social process operating at a macro-level⁷.

1-2: MI and exogenous preference: Humanism or Mechanism

Insofar as social sciences are dealing with human plans and actions, explanations that are exclusively constructed in terms of collective entities are unsatisfactory⁸. Attending to individuality in fact is in accordance with the perceived humanistic foundation of modern research programs in social theory. But again, saying that social phenomena are explicable only in terms of individuals' properties is an ambiguous statement, because it does not address to what degree those "individual" properties are spontaneous or designated by super-individual processes. In the real world, there isn't any autonomous

← independent from parts. The most expressive and simplest example is the case of a painting (as a whole) and dots (as constitutive parts of painting); the semiotic or emotive properties of the painting are emergent properties that can't be explained by properties of dots! In fact, it's the complexity of interrelationship among such parts that engender such autonomous properties. Some evolutionary economists have made use of this view and extended it to the social realm and economic analysis.

For more elaboration see:

<http://plato.stanford.edu/entries/properties-emergent/>

⁷ The classical example of economic application of this view can be traced in the idea of "conspicuous consumption" introduced by Veblen and James Duesenberry; where the individual behaviour of consumption is primarily conditioned by the other's behaviours and the social stance of individual. See

Mason, Roger (2000), "The Social Significance of Consumption: James Duesenberry's Contribution to Consumer Theory", *Journal of Economic Issues* (Association for Evolutionary Economics) 34 (3): 553–572

⁸ This is even more defensible for us who're living in post-soviet era and have seen the history of disasters resulting from some holistic worldviews. In fact, the various forms of fundamentalism (from communism and racism to theological fascism) have been structured based on (explicit or implicit) pure holism which leaves no room for individuality and free-will.

self-organizing social-free entity called “the individual” which can be taken for the ultimate explanatory unit in an analysis. Individuals’ purposes and behaviours are socially constrained.

However, economists tend to take preferences as given exogenous variables. In their scientific method, the dynamics of preferences have no explanatory weight; rather they are intrinsically fixed and predetermined. This view is totally in line with the scientific method of mechanism, based on the seventeenth century Newtonian world-view. The aspiration was to build a comprehensive theoretical framework to explain all physical phenomena in terms of universal laws governing their constituent particles’ behaviour. The forthright application of this view in social sciences is to treat human agents as neutral particles, and to take large-scale social phenomena as a configuration of individuals. As Watkins phrases it: ‘Every complex social situation, institution or event is the result of a particular configuration of individuals, their dispositions, situations, beliefs, and physical resources and environment’ (Watkins, 1957, p 106). In this sense, MI falls to the one pole of essentialism; the other pole is occupied by the extreme version of MC based on historicism. Both believe in determined laws that govern individual behaviours and social processes. Both uphold the mechanistic view that social events and phenomena are predetermined and the task of theory is to explain/predict such preordained patterns.

MI is right as far as it upholds the indispensable importance of individuals in explanation. However, when it’s interpreted as a methodological position which advocates the reduction of all of the processes to individual processes, it somehow defaces the nature of the human individual which at first it was to support. The humanistic ambition to make room for human volition by resorting to individuality is undermined through determinism of given individuation. As Boland says: ‘Obviously, simple psychologism does beg an important philosophical question. If everyone were governed by the same psychological ‘laws’, what would be the basis of individuality?’ (Boland, 2003, 36). The core individual character (preferences) through which human will is realized is defined to be exogenous and theory discharges itself from engaging with it. The final result is to make the site of theory devoid of human volition. The

problem associated with historicism ironically allies with ahistorical essentialist epistemology.

The ambiguity surrounding the doctrine of MI comes from the fact that there is no consensus among economic methodologists about the explanatory range of the individual, the nature of its properties, and more importantly the impact of social processes and phenomena on individual interactions. As far as the implicit approach of practitioners in economics is concerned, the large-scale phenomena (such as unemployment, welfare, inequality, etc) are viewed roughly as an aggregation of individual entities. The uniformity or homogeneity of individual characteristics⁹ and exogeneity of preferences are presumed in order to allow such aggregation to exist¹⁰. Aside from the fact that these sorts of presumptions are necessary, to some extent, so that the process of abstraction and modelling can be possible, the central question is to what degree these abstractions dissolve the opportunity to include individuals' interactions. There are social rules that constitute social interactions among individuals, and it's important to consider these factors that shape individual intentions and preferences – if one seeks to gain a decent level of theoretical adequacy.

As pointed out above, the political implication of MI as a meta-theoretical principle relates to the humanist view of knowing: putting the individual in the centre of relations and processes, as an autonomous/free agent. This aspiration is of great worth, yet applying a mechanistic ontology to the social realm deviates it from its primary cherished purpose. Apart from this, the aversion against taking super-individual determinants into account, in methodological terms, is sometimes interpreted as a necessary position to maintain scientific neutrality in economic theory. This is exactly where radical political economy departs in its epistemological approach from that of the so-called “pure theory” of economics. The neoclassical research program in economics defines itself in this Schumpeterian way as “pure science”. Following the mechanistic approach of the

⁹ By homogeneity we mean uniformity in regard to rationality and social stances. However we don't deal with problem of rational choice in this study; but viewing heterogeneity of social stances and its impact on individual interrelations is an important point of our analysis.

¹⁰ In game theoretical analysis, the ultimate outcome in large-scale interrelations results from the complex process of interactions among agents; yet homogeneity and exogeneity conditions often are assumed.

research program of the natural sciences, it feels no necessity to give some explanatory weight to super-individual phenomena. Neoclassical economics is institution-free in the sense that it has intended 'to have universal applicability and it has not sought to reflect particular institutional arrangements in its theories' (Sawyer, 1989, p 7). Wherever institutions and social structures come in to the analysis, they're often viewed as a direct outcome of optimising individual decision making.

This approach essentially precludes the possibility of any analysis of social structural impact on the decision-making process. Furthermore, the evolutionary nature of economies and the importance of historical specificity are often overlooked at the theoretical level of the neoclassical research program. In radical economics, these factors are viewed as defining determinants in the formation of economic behaviours and processes. In this sense, radical political economic approaches branch off from the neoclassical research program at the social ontological level of analysis.

Henceforth, from a radical economic point of view, this study attempts to deal with the endogeneity of individual preferences. Particularly, in facing large-scale economic phenomena such as inequality, methodological emphasis on immanent characteristics of homogenous individuals precludes the possibility of subtle explanation of social interactions among them. As Boland pointed out, there's no escape from explaining some characteristics of individuals outside of a model, otherwise overly endogenous preferences would lead to circular explanation (Boland, 2003, chapter 7). Our claim is that, in explaining the emergence of inequality in early society, we need to take into account the structuralist way in which institutions, which have been raised accumulatively from individual interactions, reform and reproduce their preferences as well. Relatedly, this study accentuates the power relations which drastically influence individual interactions. The point is, the humanistic responsibility of scientific research necessitates institutional considerations. Perceiving how super-individual power relations affect individual preferences is an important part of situating the individual in a more realistic context. It seems that this approach helps to redeem individual autonomy by seeking the roots of preference formation in individuals' interactions.

2: Individual Heterogeneity and Historic Specificity: The Structuralist Approach to Individual Choice

The individual and the social are mutually constitutive. From the ontological point of view, social rules, conventions, laws and institutions exist through the accumulative interactions among people, groups and societies; therefore they're ontologically dependent on individuals. However, from a structural point of view, the intentions and preferences of individuals are greatly affected – and sometimes formed – by the existence of institutions which sometimes predate their {individuals} existence¹¹. The aforementioned dual causality between formation of social institutions and the individual's mentality necessitates a more astute approach to individuality in economic analysis.

This point takes on more significance when the subject matter is large-scale phenomena such as inequality. These phenomena represent the socioeconomic situations of collective entities, and the forces/processes that conduct collective decisions originate from complex interactivities among individuals facing social constraints. The nature of such social constraints can't be taken for granted as simply as natural constraints. These constraints, which form the context in which agents act out, themselves undergo reformation through agents' interactions. Nonetheless, the doctrine that the individual can exist without/outside of social relations is totally unacceptable (Davis, 2003).

This is why the prevalent version of individualism in neoclassical economic method (psychologistic individualism), which tends to reduce all individual processes to psychological characteristics, is untenable in analysis of large-scale events. Individual processes are embedded in social context. People make sense out of their intentions and behaviours through tacit communication with social context. There are clearly some intrinsic psychological characteristics in humans which provoke some intentions and actions as well. Nevertheless, in the analysis of large-scale phenomenon, the socially-induced attitudes play a greater role compared to intrinsic psychological attitudes. The

¹¹ There're several typical instances for such institutions. The best one is "language" which primarily exists even before individuals of a whole generation. At first glance, individuals are the only decision-makers in the social realm, but some spontaneous institutions such as language essentially constrain their ability/opportunity in decision-making.

reason is that social or large-scale phenomena to a greater extent consist in relations and interactions among people than atomistic individual features¹².

How are these relations structured? The determinants can't be reduced to characteristics of isolated individuals alone. From the stand point of radical political economy, one of the most prominent factors in (re)formation of social interactions is power relations. By power relations, we mean those sets of social relations which result in unequal access to political and socioeconomic resources and opportunities. This unequal form of social relations is more usual than the ideal-type-like perfectly competitive context which neoclassical economics presumes is more usual to occur. Even if we follow neoclassical economic theory to assume homogeneity of individual preferences (that all individuals satisfy the axiom of rationality), the social stances of agents are essentially heterogeneous. This "structural heterogeneity" is one of most indispensable aspects of any social totality.

The power relations work through this heterogeneity to reproduce particular forms of socioeconomic relations. The efficacy of such power relations operate at a social level that goes beyond individual processes, since power relations involve individuals' interactions who are differently situated socio-politically. The subtle version of MI mentioned earlier seeks to grasp this situated nature of the individual. This is why Aggasi and others have used the term "institutional individualism"(Aggasi 1975). But such terminology implies, rather implicitly, an unjustifiable adherence to vague individualism¹³. The central ontological and epistemological role of super-individual social relations in explaining large-scale phenomena requires the application of different terminology¹⁴. The important point is that these situating social relations, in turn are themselves situated in a historical context.

¹² For instance, unemployment as a macro or large-scale phenomenon is more related to the structure of economy and mismatch in labour market (structural unemployment) or cyclical behaviour of economy (cyclical unemployment) than intention of an individual or individuals.

¹³ Hodgson phrases the issue this way (2007):

Why not 'individualistic institutionalism'? This symmetrically opposite bias is equally unwarranted. Both parts of the story are indispensable and no good reason has been provided to give one explanatory priority over the other.

¹⁴ If we make sense of the term "structure" in modern (post-functionalist) sense, maybe "methodological structuralism" is one option, since "structure" is nothing but the complex of relations through which→

Mainstream economics, based on epistemological monism, clings to natural sciences' methodology, and tends to ignore the context-dependency of human subjects. In particular, neoclassical research program starts by imposing a static universal agency (named *homo economicus*) and its unchanging patterns of behaviour predetermined by axioms of rationality. Nevertheless, as we've argued above, any individual behaviour is socially embedded in super-personal interrelations. The conventions and rules that implicitly govern these interrelations change dramatically over time. There's no stable and invariable rule that can be taken as the universal foundation for such governance.

Although there are some fundamental spontaneous self-organizing institutions (particularly language and money) that have almost outlived modern history of *homo economicus*, most institutional arrangements, and the way they are realized and embodied in specific societies, have changed over time. The durability of social rules and institutional structures that take part in the (re)formation of preferences does not imply the rigidity of their norms or the stability of their social functions. The social rules are historically malleable, as are the individual preferences.

Historical specificity is viewed here from an evolutionary standpoint. The history and process of institutional changes is not taken as a progressive or teleological process as is often true in deterministic historicist schools (such as orthodox Marxism). Rather, following the Veblenian version of institutionalism (Veblen, 1899), this process is interpreted in a Darwinian evolutionary framework. This issue is discussed later in details, but for now it has to be made clear that, under this interpretation, institutional change is not necessarily a progressive ameliorative process heading to perfection.

As will be discussed in section 3 and 4, specific prehistoric institutions developed over time to cope with newborn needs and expectations arising from new environments and new social complexities. Through such institutional change, centralized forms of governance began to rise. A theory that attempts to explain socioeconomic aspects of an authoritarian social form requires further thoughts about the defining role of institutions

←individuals interpret their preferences, behaviours and (inter)action in social totality. This will be discussed in the last section.

in shaping individual's characters and behaviours. In such a society, individuals' mentalities and actions are more induced/enforced by socio-political super-individual power, as compared to an open society.

For instance, one can apply the individualistic view that the economic behaviour of a family-level prehistoric society (at least at the level of subsistence economy) is an extension of optimizing individual behaviour, reflected in minimization of the risk of foraging. Relatedly, he can deploy MI to derive an economic explanation of such an era – and most of the economic prehistory follows this path. But, as we will see, with growing social complexity and the emergence of social organization and segmentation in the early Holocene period, the economic behaviour of the majority has been primarily organized and controlled by a centralized polity that hasn't necessarily represented the preferences and purposes of the exploited majority. In this historical interval, the analysis of human economic behaviour can make use of a more structuralist perspective to recognize the collective activities operating beyond individual patterns. In our specific historical cases, we will discuss how the existing institutions in early societies (kinship and ceremonialism) promoted the individual characteristic of aggrandizing leadership. The resulting reformed institutions, which reflected the self-regarding interests of the elites, drastically constrained the socioeconomic opportunities of the majority. Such social conflict in transegalitarian societies can't be explained by resorting to either the elites' or the commoners' intentions alone. Institutions matter when we think about interrelations among these conflicting classes.

3: Embedding institutional change in Darwinian context

The institutional arrangements in trans-egalitarian societies evolved over time. Needless to say, the ultimate theoretical purpose for knowing more about the “nature” of institutional changes is to add depth to our knowledge about historical context of economic formation and its inescapable impact on the economic behavior of human agents. Any study which involves itself with historical specificity in an attempt to achieve more realistic understanding about economic behavior is obliged to deal with that “nature”. Without defining a conceptual framework for social evolution, there is no scientific explanation of institutional change.

Here we take on Darwinian evolutionism. Aside from the fact that Darwinism – though the vulgarized version of it – is the most known of evolutionary views, there are some important reasons to deploy this framework. These reasons are discussed in the next part in connection with the differences between Darwinism and Lamarckism.

3-1: Darwinism vs Lamarckism

In Lamarck’s view, change in an organism is causally induced by its environment¹⁵. The organism responds to the environment by developing characteristics appropriate for it. In other words, the behavior of any organism can be explained based on stimulus-response theory¹⁶, where the stimulus signalled by environments would call for the appropriate response. Such response entails the necessary changes in organism (in terms

¹⁵ For an elementary introduction see:

Lamarck, Jean-Baptiste. (2009). *Encyclopaedia Britannica. Encyclopaedia Britannica 2009 Student and Home Edition*. Chicago: Encyclopaedia Britannica

Most of the materials that are deployed here are acquired from Laurent J. and John Nightingale (eds.) (2001); to get detailed information about theoretical situation of Lamarckian position in evolutionary theory refer to part II of the book.

¹⁶ This theory is widely applied in bio-sociology and bio-economics and almost in every behavioural approach to social sciences; where behavior is defined as the true expression of stimulus-response dialectics. The biologically reductionist approaches to economic theory have been made use of this doctrine in to great extent.

of its cognitive and physical abilities) that helps it to cope with the existing and ever-changing environment. So it's the environment that instructs the living beings to change, which is why this approach is called instructionism (Laurent John and John Nightingale (eds.), 2001, p8).

According to this instructionist standpoint, the organism is defined as a passive being which makes and changes its neural and physical potency, and its behaviour as well, in response to the external situation. So it's clear that there's no room for a theory of agency in this framework, since the environmental context is the ultimate source of changes and evolution. Existentially speaking, the organism, and its total behavioural pattern, are explained on the basis of a volition-free deterministic background.

The problem of "absence of agency" is not a difficulty when we apply the Lamarckian approach only to fauna and flora, but when we want to apply this evolutionary framework to the social human context, it's terribly flawed. In fact, in the pure version of stimulus-response context, there are no active and influential human agents who can change the environment by their own decisions. Causality is a one-directional process in which the human is devoid of volition. This eliminates the possibility of intentionality and self-reflection, which are the basic foundations of a free and active decision maker. There's no room for autonomous creativity and invention since every behaviour is defined as a mechanistic response to the necessity of coping with the environment. Nevertheless, as Ernest Boesiger (1974) pointed out, Lamarck had a materialistic approach in regard to intentionality; he viewed volition and intention as having been caused entirely by material causes. Intentionality is all the effect of natural causality enforced by nature!

Aside from the difficulties associated with the pure materialism of Lamarck, his framework was empirically refuted by German evolutionary biologist August Weismann. One of the most famous concepts of Lamarckian evolutionary theory is the hypothesis of "inheritance of acquired characteristics" through evolution which often is used as some kind of theory of adaptation. According to this hypothesis, the characteristics of an organism acquired over its life can be transmitted to its offspring. Weismann argued that such information cannot be transmitted from one generation to another due to the barrier

between the organism's characteristics (phenotype) and genetic information¹⁷. Weismann's view rules out the possibility of the inheritance of acquired characteristics in the evolutionary processes¹⁸.

This is why most biologists today view the Lamarckian evolutionary mechanism as a discredited framework¹⁹. Furthermore, aside from the Weismann barrier, the materialistic attitude of the Lamarckian view would strip down social explanations to materialistic determinism. Such determinism is at odds with factual evidence. It can be clarified if we think about the huge gap between human cognitive evolution and late technological progress. If we go back about 195,000 years ago and look back at the evolved *Homo sapiens* and fast forward to the present day, it's evident that the neurological system of humans has not changed considerably (Campbell, Bernard G. et al (2006), 412); but as we look at the trend of technological progress it's clear that most of the eminent technological changes have occurred during the last two-three centuries. In other words, the evolution of human mental capacity (as his genotype) can't explain the evolution of technological changes (as the outcome of his phenotype).

The same thing can be said about late cultural changes. This discontinuity and disconnectedness between phenotype (acquired characteristic) and genotype (genetic constitution) degrades the plausibility of Lamarckian materialism. This also, in a broad sense, undermines the credibility of any socio-biologist approach to social explanations. Therefore, extending the Lamarckian framework to social realms is unsound²⁰.

¹⁷ This argument is elaborated by Thorbjørn Knudsen in Laurent John and John Nightingale (eds.), (2001), *Darwinism and evolutionary economics*, p 121-160

¹⁸ As Laurent and Nightingale pointed out (*Darwinism and evolutionary economics*, p 1), "Weismann's Barrier became doctrine with the elucidation of the structure of DNA in 1953 and in the extraordinary achievements of recombinant DNA technology from the late 1970s onwards"; Hodgson correctly noted that: 'There are good reasons why organisms have evolved in such a way that their acquired characters are very unlikely to lead to an alteration of their genes. The genetic coding has to be protected from most outside influences. Otherwise the valuable genetic information – the product of millions of years of struggle, testing and evolution – would get contaminated or lost. For this reason the genetic information has to be largely inert and nonreactive. It is argued that this is a reason why the Weismann barrier has evolved'. – *Ibid*- p. 97

¹⁹ Note that this doesn't rule out the "genetic assimilation" introduced by Waddington (1969); the idea that the inheritance of the "capacity" to acquire particular characteristics is possible – this is an important point specifically when we think about "Baldwin Effect" (development of neural system of human and his learning capacity) over the course of history which resulted from accumulation of variations of genotypes.

²⁰ It's important to note that such application could be extremely destructive in terms of its subsequent social outcome; for example there were moments in history that racism resorted to such socio-biologist views to justify itself.

3-2: Natural Selection, Variation, and the Social Realm

In Darwin's view, changes aren't totally induced by the environmental instruction. It's a 'chance relationship between organisms and their environment which make the organisms successful in surviving by "random" mutations and changes (Laurent John and John Nightingale (eds.), 2001, p8). The important point here is that the variation exists in nature and those species that have the best apparatus to deal with the prevailing environment have a better chance to survive; their characteristics that have been built up through random mutation make them the fittest to the environment. This is why the Darwinian approach is called Selectionism, as opposed to the Lamarckian Instructionism. This framework, when applied into the social realm, doesn't suffer from the problem of agency. The evolutionary process of organisms is a random process; this means that evolution is not necessarily a progressive process – the Lamarckian idea which is rejected in biology (particularly by Weismann)²¹.

In general, the study of social evolution falls into the Lamarckian framework or the Darwinian one. The majority of the mainstream economists implicitly favour the Lamarckian approach since its progressivism rationalizes the optimization process. But due to the defects of application of Lamarckian evolutionary theory, especially in social domain, we adhere to the Darwinian framework which bases the evolutionary process on "pre-existence of variations". It's not irrelevant to apply Darwinian natural selectionism at the level of society, since the various replicating entities exist in societies in the form of spontaneous (self-organizing) or organized (designated) social rules and institutions²².

²¹ Lamarckian progressivism in the social sphere (which specifically applied by Spencer) also has lost its credibility. See:

Wilkins, John S, in Laurent John and John Nightingale (eds.), (2001), *Darwinism and evolutionary economics*, p 160-184

²² Maybe the first application of Darwinism in socioeconomic study can be traced back to 1902 when Robert Francis Irvine published a book about general economic and social history of New Zealand in which he used some Darwinian concepts to explain natural history and the lifestyle of the Maoris. See Irvine, R.F. and O.T.J. Alpers (1902), *The Progress of New Zealand in the Century*, Toronto and Philadelphia: Linscott Publishing Comp

From a Darwinian point of view, there's no one-directional causality from environment to variations of species and structures. The natural selection process operates through variations which are not necessarily generated by the environment. This is an important point when we embed Darwinism into social context. In a Darwinian framework, variation exists *a priori* to the analysis; and specific organisms are selected, through random selection process, because their characters relatively fit relatively better to the prevalent circumstances.

More importantly, Darwinian evolutionary theory doesn't rule out human intentionality by reducing the evolution of human mentality and social institutions to a stimulus-response frame (in contrast to bio-economics or bio-sociology). The importance of having room for "agency" and "intentionality" will be made clear later when we argue about the evolution of specific social structures intentionally formed by specific groups.

In the next section, we will discuss how the economy of early societies evolved from family-level economy to group-level and then to big-man and chieftainship. We will also discuss how natural selection theory can explain the emergence of big-man societies. However, the transition from egalitarian societies to stratified societies ruled by the elites can't be taken as the outcome of a natural selection process, because a stratified society weeds out the social or structural variation in the name of centralized authority. That is where the specific form of social organization comes and stamps a specific socioeconomic form of economic relations which essentially strips down the possibility of presence of variations. It means the necessary condition for having a Darwinian evolution is stifled by the emergence of a dominant social formation. By this, a necessity to take on a structuralist approach to analyse the socioeconomic situations will be explored. We will see how we need to consider the super-individual interrelations to perceive the social context in which the behaviours of the majority (the preferences of commoners) are drastically affected by institutional changes and hegemonic governance of exploiting elites.

By the way, it is worthwhile to note that it was Richard Dawkins (1983) who proposed the broader application of Darwinian evolutionary framework by introducing the term "Universal Darwinism". 'Subsequently, the idea that some basic Darwinian principles apply to a very wide range of phenomena, from psychology to cosmology, has been taken up by a number of authors' (Hodgson, 2001, 87).

Needless to say, there are various reasons leading to the emergence of such hegemony. Nevertheless, we will focus on the very particular features of those societies in terms of economic integration and political governing. From the point of view of evolutionary theory, it's interesting to see how the emergence of specific intentionality and aptitude (aggrandizing) has impoverished the existence of social variation; so that the appearance of an inegalitarian social system has led to weakening of the natural process of selection in the social realm.

4: Emergence of inequality in early transegalitarian societies

Emergence of stratified societies has often been imputed to surplus food production in early economies. In simpler types of social organization – more specifically in family-level bands in foraging societies – the simple process of food production had been accomplished by everyday self-sufficient hunting and gathering. But in later more complex societies, the food production often is accompanied by some economic surplus. Thinking about the reasons behind producing and reproducing such surplus is a crucial part of explanation of institutional changes in transegalitarian societies.

4-1: Transition from family-level to group-level societies

It's been argued that gradual changes in environments (such as resource depletion and adverse changes in climate) put pressure on hunting-gathering food production, so that the foraging alone couldn't meet their economic subsistence requirements. In other words, the hunting and gathering economy in scattered family-level groups (such as Machiguenga in Peru and Nganasan in Siberia in Johnson, Allen W. and Timothy Earle, 2000, chapter 3) lost its suitability and functionality over the time, so that people were forced to gather around and form a local group to meet their basic needs.

Previously, people could satisfy their needs through simple economic activities based on foraging, mobility and a light daily schedule. The family-level society didn't feel any necessity to produce a surplus even for itself (in form of storing). As Sahlins argued the absence of a food surplus might have been motivated by a need for mobility, or to reduce the cost of overproduction and its impact on the carrying capacity of the surrounding environment (Sahlins, 1972, p 1-41). However, from a simpler point of view, the natural abundance, the habituated foraging as standard life style, and the absence of severe economic competition and violence, made it quite unnecessary for a family to overproduce.

Nevertheless, adverse changes in environments and climate, resources depletion and other factors that caused population to rise discredited this form of underproduction; people had to leave such simple self-sufficient economy and merge with other people to form a group that would strengthen their opportunity to meet the subsistence. This is where the underproduction in the form of underuse of resources, underuse of labour power couldn't meet human needs (for example in the case of !Kung Bushmen in Kalahari desert (Sahlins, 1972, p 49, 53)).

Naturally, such grouping required leadership, specifically in times of feasts and famine where the local group had to deal with problems aroused from intrapersonal conflicts and interaction with adverse environment and also with other groups; the leader was responsible to orchestrate the ceremonies, to ease factional tension²³, and to reinforce exchange, partnership and alliances with other factions. He would gain prestige and wealth as long as he could satisfy such managerial responsibilities. In some cases like Eskimo Whalers, where the existence of multifamily groups relied on large capital investment in the technology of food production, storage and distribution, the aforementioned role broadened to cover specialised management.

But again as Kaberry put it: 'the leader must shoulder responsibility and produce a surplus of wealth for distribution among his dependants, temporary assistants, and ceremonial partners ... [and] By his own achievements he must constantly validate his pre-eminence and ... maintain the prestige of his clan' (Kaberry 1971:62). Thereby, the surplus produced in such society had been absorbed as insurance storage for rainy days or had been used in rituals and ceremonies which gradually became the most important aspect of social organization in early local groups. In other words, the only reason for overproducing was to minimize procurement risk and to supply adequately for practicing ceremonies which had taken on importance in the life style of local group societies. Since the leadership essentially had been recognized as a manager without any inherent privilege over other members of group, coercion was unnecessary as an explanation for the existence of a food surplus.

²³ Case of Eskimo's foot race or Yanomamo club fight; look in: Johnson, Allen W. and Timothy Earle, 2000, chapter 5

4 -2: Aggrandizers, ceremonialism and kinship:

Transition from egalitarian leadership to inegalitarian chieftainship

It's necessary to set apart leadership in bands and tribes from leadership in Big-man societies and chiefdoms. We will argue later that managerial leaders turned into big-men and chiefs by forming the institutionalized economic base that reinforced their social privilege and differentiation. Here, we highlight the two forms of sociability that emerged and evolved through early group-level societies: Ceremonies and Kinship. In fact it's not hyperbolic to say that the transition from managerial egalitarian leadership to aggrandizing inegalitarian leadership mainly occurred through the alteration of these two channels, which substantially altered the society by changing the economic logic of integration. Therefore, we will elaborate on the socioeconomic role of kinship and ceremonies. After that, we will see how the progressive role of aggrandizers (in terms of economic growth) evolved alongside a degenerative role in terms of social pluralism and freedom.

Kinship relations have influential impacts on economic behaviour. In local group societies, such as those of African Pygmies, southern African San Bushmen, Aboriginal Australians and Eskimos, it was kinship that set up the group solidarity. Aside from reinforcing the internal unity, kinship attachment fortified the martial potency of the group by channelling blood relations to a social functionality. In fact it bore the same role it had had in nuclear families in family-level societies and extended it to a larger group of people. From the economic point of view, kinship relations helped the concentration of production more than ever; they 'counter the centrifugal movement of domestic mode of production, to determine the more or less incentive exploitation of local resources' (Sahlins 1972, 123).

This economic function of kinship is socially significant if we note that there was no specialization and formal social convention to guarantee social integrity and economic safety. The blood relations among group members also helped the group to build up its cognate district and consequently led to the more distinct definition of territoriality. As discussed before, the leadership often had been chosen by his dutifulness and sense of

responsibility. In the absence of intensive specialization and widespread market exchange, it was the kinship that strengthened the efficacy of division of labour, since people believed that eventually most of the procurement would be equally reallocated to the group members under the social rule which owed its egalitarianism to kinship relations.

The more classified and identified the kinship relations, the more it would affect the economic intensification. For example, Hawaiian kinship had a more intensive economic system compared to Eskimo kinship. ‘Where Eskimo kinship categorically isolated the immediate family, placing others in a social space definitely outside, Hawaiian extends familial relations definitely along collateral lines.’(Ibid). This added to the solidarity of social interactions among group members and subsequently reinforced the spontaneous economic integration. It also led to a higher rate of exploitation in a given territory, and generated higher level of material wealth for domestic group. This effective and productive role of the kinship relations altered where aggrandizers came to be leaders in big-men societies and chiefdoms and built central power relations out of blood relationships.

Aside from kinship relations, that sometimes encouraged group member to generate surplus for helping the kin-based community in time of need (famine or war), ceremonies played prominent role in producing surplus in early economies. There’s a huge literature elaborating on issues like exchanging gifts, forming alliances, etc that used to be accomplished and channelled by ceremonies and rituals (Sahlins 1972, Aldona Jonaitis 1991, Richard E. W. Adams 1991, Andrew Jones 2008). However, it’s accepted that the major purpose of ceremonies was to exchange gifts (goods and valuables) to affirm or reaffirm social status²⁴. In local groups and clans, it was one of the most important duties of a leader to hold a feast for his people and host the others in a ceremony in which the accumulated production surplus was redistributed among people.

Effectively, such ceremonies were the basis for intra-group and inter-kindred social relationships, as it is documented for traditional Polynesian societies (Evans 2001:34,44;

²⁴ **gift exchange.** (2009). Encyclopædia Britannica. *Encyclopædia Britannica 2009 Student and Home Edition*. Chicago: Encyclopædia Britannica.

Grijp 2004:189). The martial alliances between groups, the acceptance of including others into regional territories, and many other social issues were orchestrated by ceremonies and feasts. As for egalitarian societies of local groups and their managerial leadership, ceremonies and feasts was an opportunity to strengthen the integrity of a society by conducting some sort of economic redistribution. In fact, while some part of the surplus generated by group members as a risk management store was used in ceremonies to show group prestige, it helped to sustain equality to some extent by reallocating goods and valuables. Although oftentimes the distribution of goods by the donor was in accord with the social rank of the recipients²⁵, in local group societies, the logic of ceremonies was logic of reciprocity (Sahlins 1972, 170). This logic was altered dramatically by the emergence of Big-men and chiefdoms.

We take kinship relations and ceremonies as sets of social rules defining specific forms of egalitarian social interactions in pre-Big-men periods. Throughout this historical period, kinship relations and its social consequences formed spontaneous orders which improve reciprocity and natural coordination²⁶; we will argue that this functionality also holds for ceremonialism in pre-big-men societies. Nevertheless, we will see how these facilitative institutions transformed into “organized” or designated repressive and restrictive social institutions that accommodated the social context for the emergence of inequality (a classical case of institutional drift). It has to be made clear that stressing changes in social rules shouldn’t overshadow the importance of economic aspects of emergent inequality; we will come back to this point later. But first we need to define the “agency” that did such “organization”.

Aggrandizers are assertively aspiring individuals who act and behave in a way to prosper themselves, relatives, supporters and patrons physically and socially. They’re self-confident, independent and creative individuals who can impress others by their rare qualities and characteristics. In fact there’s a theory of “aggrandizing” under the

²⁵ **potlatch.** (2009). Encyclopædia Britannica. *Encyclopædia Britannica 2009 Student and Home Edition*. Chicago: Encyclopædia Britannica.

²⁶ See above (footnote 4) for Hayekian distinction between spontaneous and organized orders (institutions).

paradigm of “agency theory” (Jeffrey A. Burse, 2006)²⁷. It’s controversial to base a comprehensive theory about the emergence of inequality on such personality typifying. Nevertheless, if we concentrate on the impact of aggrandizing personality in “social engineering” of the social realm, then it would be at least one of the most important factors in explaining social change. In fact, it’s the individualistic side of our analysis; to take individualistic characteristics of a specific agent (aggrandizing leaders) and pursue its real realization in social formation. Though, as mentioned before, this individualistic side is necessary but not sufficient part of the analysis. We will see how the aggrandizing characteristic of the leaders led them to form a privileged class which (re)structured social complexity in favour of the minority and their socioeconomic dominance; and in such process, the super-individual aspects of social interrelations do play an indispensable role.

We argued that in early local group societies, leaders didn’t have the authority to control the economy of their group; and their condition was subject to their qualities in accomplishing their managerial responsibilities (Diamond, 1997, p 269). It was not until the era of the Big-man where the leader could take advantage of the economic surplus to build his hegemonic control over economic production and distribution. Such control varied from one society to another, for example the big-men in Hunter-gatherer societies often had control over forces of production (technology), in pastoralist economies over long-distance exchanges, and in horticultural societies they had control over intergroup exchanges (Johnson, Allen W. and Timothy Earle, 2000, ch 7). While the scale of local groups is not enough to form an organized and stabilized set of social rules and institutions, yet the idea of big-man – as a controlling centralized leadership – underlies the formation of more elaborate forms of social organizations. But how did dutiful responsible leaders turned into big-men?

In general, the social formation before big-men societies can be classified as egalitarian societies where almost all of the economic production was distributed in the absence of

²⁷ From the point of view of history of economics, it can be traced back to one of the founders of institutional economic, Thorstein Veblen and his elaboration of predatory instinct of entrepreneurs. See **Veblen, Thorstein.** (2009). Encyclopædia Britannica. *Encyclopædia Britannica 2009 Student and Home Edition.* Chicago: Encyclopædia Britannica

organized social differentiation. The existing forms of institutional arrangements (particularly kinship and ceremonies) facilitate the socioeconomic processes of such egalitarianism. In egalitarian societies, such as those of western desert Australian aborigines (Barnard and Spencer, 1996, p 301) there was no significant private ownership, wealth differences or economically-based competition. By transegalitarian societies we mean those forms of social formation in which the concept of ownership and economically-based competition came to the fore in real social processes for the first time. Finally, by inegalitarian societies we mean those societies where ownership, economically-based competition, and socio-political control over economic resources are institutionalized in terms of hierarchical and unequally differentiated forms of distribution.

It's reasonable to take the big-man and early-chiefdoms (kindred chieftainship) as transegalitarian societies. That is to say, the social formation associated with big-man and kindred chiefdom societies epitomized the emergence of inegalitarianism and socioeconomic inequality. The supporting reasons for such identification rely on the changes through which the aforementioned institutional arrangements (kinship and ceremonies) altered substantially (through institutional drift from facilitative spontaneous to restrictive organized institution).

4-3: Kinship as hereditary dominance, Ceremony as exploitation: the institutional drift

As Hayden puts it 'It was aggrandizers who promoted the creation of important roles (such as lineage or clan heads, village political positions, and well-paid ritualists) and a variety of new ideological norms (such as many taboos, private ownership, inheritance, primogeniture, bride prices, reciprocal debts, ancestors' influences on the living, and costly funeral displays)' (Hayden and Villeneuve , 2010, p 101). Hayden continues that 'all of these roles and norms could be portrayed to fellow villagers as benefiting larger kin or residential groups (often with the initial underwriting provided by aggrandizers).

However, in reality these norms and roles often had the effect of maximizing aggrandizers' interests' (ibid). As noted before, we stress the evolution of two prominent institutions by which such maximizing processes have been channelled.

As we've seen, in local group societies the totality of social organization is often defined as egalitarian. '...There's no formalized social stratification into upper and lower classes, no formalized or hereditary leadership, and no formalized monopolies of information and decision making' (Diamond, 1997, p 269). Aside from fundamental causes (impact of environmental causes and determinants of population and climate changes) on the growing inevitable necessity of leadership, in the last instance it's the institutional drift caused by aggrandizing behaviour that made the inegalitarian authority out of traditional group leadership. Big-man societies consist of more than one local-group or clan; and the kindred relations were not simply operating as an internal socially unifying factor.

The big-man was a leader of a tribe comprising several clans with different kin-based relations. He, just like leaders in group-level societies, was chosen from a clan based on his physical and managerial abilities. Naturally, since he only represented one kin-based clan, pursuit of the kinship interest could not lead to the egalitarian organization in the tribe consisted of several clans. It's the natural result of the operation of kindred leadership in more populated society; in this sense, the first forms of social differentiation stemmed from adherence to kinship relationship where the society was more than one clan. In this context, the impression of aggrandizers reinforced the antagonistic situation. However, in Big-man societies there's still no inheritance of leadership, and big-men conventionally had no ultimate control over the other members of group.

The social organization and economic activity was still based in reciprocal exchanges which leaders didn't have pervasive control over. Therefore, the possibility of exercising inegalitarian forms of power/production relations over others was constrained by the absence of a suitable demographic and economic base. In fact, the aggrandizing characteristics of big-men could not have been institutionalized in such a social context where there was no material or economic necessity for such institutionalization in

society²⁸. In what follows we will analyse briefly how ceremonialism added to the aggrandizing potentiality to follow their self-interest ambitions and spur the institutionalization of their own authority.

It's worth pausing here to put the aforementioned historical transition in the Darwinian context. At the time of emergence of local groups, there were indeed some family-level economies, but there were little chance for them to survive. Over the course of climate change, resource depletion and population pressure, the ones who could make integrated groups could have found better fitness with the changed environment; they had better defensive ability and much more elaborated network interaction with other people and environments as well, so they could cope with new situations. This made them fitter and more capable of surviving. In other words, in the domain of variation of different forms of societies, the local groups had a better chance to survive than family-level bands; for they could handle their basic needs by collective activities under the orchestration of a leadership which enabled them to support greater number of people. It's important to note that from a broad perspective, local group societies became fitter compared to family-level society because they could deal better with environmental constraint. There is no agency or power theory behind such evolution; so we can say that the transition from self-sufficient-family economies to local-group-economies were evolutionary in Darwinian sense of word. In sum, the leadership rose as a spontaneous institution, unplanned and unorganized through gradual and natural process of adjustment with environment. How about chiefdoms?

Chiefdoms were regional socio-political systems constituted by integration of several local groups within a single polity (Johnson, Allen W. and Timothy Earle, 2000, chapter 9; Diamond, 1997, chapter 14). This polity was structured on the basis of a kin-based community of elite class – called chiefs. The evolution from simple Big-man to

²⁸ There's a huge literature that attempts to explain the emergence of the institutionalized inegalitarian social system on the basis of cultural determinants – particularly by stressing on the role of ideology in creating and sustaining centralized political power in early societies. While there's no doubt about the impact of ideological strategy to internalize the authority, we think that without the material/ecological specificity that relates the acceptance of such ideological or cultural to the objective needs of the majority, there's no plausible reasons to accept the dramatic impact of pure cultural tricks. In fact, the ideological facet of institutionalization of hegemonic socioeconomic control can be incorporated in the analysis of the impact of ceremonialism in establishment of political control.

chiefdoms depended on channelling the economic surplus gained from controlled economic activities into development of a finance system which made it possible for chiefdom institutions to operate. Such a finance system, based on staple finance, redistributed the subsistence products and valuables in a way to reinforce the economic integration and consequently the political dominance of the elites.

From simple chiefdoms (such as Trobriands, in Johnson, Allen W. and Timothy Earle, 2000, chapter 9,) to complex ones (such as Hawaii, in Johnson, Allen W. and Timothy Earle, 2000 chapter 10), it can be concluded that increasing need of leadership was caused by climate and environmental changes and population pressure which almost made it impossible for unorganized economies to meet subsistence requirements. People had no other choice but to work under the flag of the centralized polity; the choice that helped aggrandising leaders to expand and sustain their controlling chiefdoms.

It must be made clear that the range of socio-political control primarily depended on economic and demographic features of societies. For example, on the Northwest Coast (in North America), the society was stratified and the hereditariness of leadership was reinforced by severe kinship relations among the elite class which excluded others from participating in leadership. However, the elite did not have exclusive control over households and resources and they needed to meet the society's expectations specifically in terms of their managerial responsibilities in martial and ceremonial affairs (Ames, Kenneth M, 1995, 155-187).

On the other hand, in Kauai in western Hawaiian Islands, the dependency of high population on agriculture and the necessity for management of irrigation technology, and also the severity of military conflict among groups, served as good resources for establishing a totalitarian economic control (Earle, 1997, 75-89). Chiefs made use of such inevitable dependency to create and expand their own authority. The production surplus generated in such situations often was induced by implicit or explicit coercive social norms. Producing surplus rarely followed the preceding intentionality of overproduction (as for storage and reciprocal exchanges in feasts). It gradually became the fundamental resource to finance political aspirations of the elites and chiefs. It is reasonable to say that

the extent of such functional alteration²⁹ was likely to be correlated with the degree of authority of chiefs.

As mentioned above, the kinship relations became a medium through which leaders could pursue their self-interests and those of their own relatives. This metamorphosis began with the emergence of Big-men and deepened in early chiefdoms. In early chiefdoms (such as those in the large Polynesian islands of Hawaii and Tonga), the centralized and monopolized power passed on to the next generation without any room for others outside the chief lineages to take part in activities of the dominant class. Here kinship relations almost function in opposition to their role in low populated societies of self-sufficient families and bands. The kinship relations became the channel for reproducing the existing inegalitarian power relations. It helped the chiefdom lineage to accumulate the wealth gained from production surplus and pursue their kindred interests³⁰.

On top of kinship, ceremonies and feasts also made a great contribution to institutionalization of chiefdom authority. In fact, insomuch as the implicit and pervasive impact of ideological practises among early societies is concerned, ceremonialism did a great deal to internalize a sense of social inequality through its institutional drift. We have seen that how people in local groups exercised the reciprocal exchange in feasts; in ceremonies people gathered around and benefited from sharing food and information, and reinforced their potency to deal with the environment (by trade, martial coalition, etc). Feasts and ceremonies were displays of productive capability and prosperity between groups; the process through which groups of people could negotiate power relationships in some roughly competitive form.

However, in the time of Big-men, and especially under the growing authority of chiefdoms, distribution of wealth and valuables fell to the side of the elites and gave them benefit at the expense of loss for the majority. Through the ceremonies, the redistribution

²⁹ Alteration of surplus as a source of reciprocal exchange to surplus as a source of financing authority

³⁰ Though in later chiefdoms and early states (when the inequality was economically institutionalized and politically stabilized), the connection between kinship relations and being in ranked dominant classes gradually faded away. (Diamond, 1997, 282-284)

was about reallocation of resources in favour of high-ranked people. In Futuna³¹, ‘... the village chief should receive the largest pig {which is defined as a prestige-good}, and other pigs are divided among the remaining *kaija* {chiefdom kindred}’ {Hayden and Villeneuve, 2010, 115}.

This inegalitarian distribution of food and wealth displays the social formation of political structure of a transegalitarian society. Most of the time, the dominant class of chiefs could persuade people to accept this form through manipulation of their beliefs (as sacrificing wealth to the divine boss in order to support the spiritual health of the community) and also by setting social sanctions and punishments for those who didn’t conform (Case of *muru* in Maori (Firth 1959, 400). This fact was commonplace in other early Polynesian societies such as Tonga, Hawaii and New Zealand (Goldman, 1970). Therefore, the reciprocal exchange of gifts and foods became the one-sided reallocation of wealth from the majority to the elite class; a strategy to sustain economic support of a chiefdom polity³². The surplus that used to be generated to preserve the society in adverse times, altered to be one of the most reliable resources to exercise inegalitarian forms of political economy³³.

Therefore, at least in Polynesia – which often is referred to as the best characterized sample of early social organization – one can agree with this general conclusion that leaders in chiefdom societies didn’t seem to base their governing on service to the common good. This doesn’t mean that the majority didn’t benefit from having chiefs in power; in fact the practical consequences of stratified social relations and differential economic opportunities did help a lot to catalyze the material growth of societies.

³¹ One of the contemporary traditional societies of Polynesian islands which still maintains some primitive social organizations and culture; the very recent work of Hayden and Villeneuve (2010) focuses on political economic situation of these societies, and casts light on stratification and social differentiation carried out through institutional drifts.

³² There’re a variety of types of feasts that such exploitation operated through: It’s been documented that even in “calamity feasts” which maybe the most original form of primitive ceremonies, there were some cases in Maya communities that weaker families had been persuaded to surrender their assets to chiefs. (Hayden and Villeneuve, 2010, 117)

³³ It must be made clear that this manipulative use of ceremonies can’t be taken as universal attitude of all forms of chieftainship around the world; for example there are cases such as Kirghiz chiefs in Afghanistan (Nairn 1991) and some leaders in the Northwest Coast (The Delgamuukw Workshop Series 2008) {both cited by Hayden and Villeneuve (2010)} indicating the generosity of leadership before the majority. Although such cases can’t directly imply the existence of altruism of chiefs, since beside ideological, ceremonial and coercive strategies to consolidate human force into the inegalitarian social formation, showing off the generosity can be viewed as another justifying manoeuvre to retain control and power.

Technically, it's one of the proposed justifications of the positive historical role of hierarchical social organization and its subsequent inegalitarian economic conditions³⁴. Interestingly, it seems that self-interested aggrandizing behaviour which was absorbed through complex but gradual metamorphosis of defining institutions was a major force to conduct social processes in that way.

It can be argued that the assumption of exogenous preferences might lead to overlooking the important role of institutional drift in determining economic behavior in the context of such large-scale socioeconomic phenomena (in our case, inequality). As we've see, the institutional transformation of kinship and ceremonialism (from spontaneous reciprocal rules to organized exploiting ones) is a classic example to see how determination of social interrelations can deeply affect economic behavior. A radical approach, that attempts to seek for roots and causes of economic phenomena would consider the dynamics of social interrelations and its impact on individual's decision making.

But there's also a good question to ask from a neutral evolutionary point of view. As we've seen, the social and productive forces were channelled in favour of aggrandizing chiefdom interests through organized institutions that sacrificed the interest of the majority opportunities to enjoyment by the minority. The question is whether we can account for such institutional change in aforementioned Darwinian evolutionary terms? It seems that the unevolutionary nature of institutional drift in transegalitarian societies was accompanying the inegalitarian transformation of social totality!

As we mentioned above, the social change from self-sufficient family-level economies to local-group (bands and tribes) economies can be viewed as a social evolution in the Darwinian sense of term. From a broad outlook, such social change operated through the existence of various forms of the societal; at the same time, there were dispersed families, bands, and tribes. Although it is possible, and rather commonplace, for these forms to struggle in antagonism with each other, in a competitive environment every form had its own chance to realize its fitness to the natural and social environment.

³⁴ The same thing can be brought forth to justify the positive impact of slavery and colonial periods on growth of some economies.

The more integral and united a society, the better it could cope with the increasing difficulties facing procurement risk management, warfare, etc. Nevertheless, by the emergence of Big-men and chiefdoms, new social variants came to life through which such competitive preconditions did incur substantial alterations. For instance, as we've just seen, chiefs made use of the economic necessity for more elaborate intensification and integration to organize social relationship in a way that it fortified their hegemonic political dominance. At first sight, the social evolution from simple local bands and tribes to more complex communities of big-men and chiefdoms can be viewed as adaptation process to environmental subjects – particularly population pressure and resource depletion. Moreover, it also helped a lot regarding technological advancements, capital accumulation and economic growth. Yes, it's true that collective activity helps humans to deal with increasing scarcity.

However, by the emergence of chiefdoms, capital accumulation was channelled in favour of the elite class and its differential interest; and this macro advancement was accomplished through the exploitation of the majority that was ruled politically and controlled economically by the elite class. The elites performed their pseudo-entrepreneurship role in economic growth at expense of opportunities for the majority (commoners) through imposing monopolistic control over forces of production³⁵. This hegemonic controlling government almost eradicates any form of sociality over the course of its expansion. In a Darwinian sense, the social changes occurring in transegalitarian societies went through a completely “unnatural” process. The institutions changed (drifted) mostly in accord with specific class interests of the elites; and their selection processes didn't represent competition among variant social forms. This Darwinian consideration implies that the emergence of inegalitarian societies can't be interpreted as a necessary outcome of a natural evolutionary process.

³⁵ For example, in Trobriands, the elites had control over production and use of sailing canoes; such canoes were technically too elaborate to be built by individuals (Johnson, Allen W. and Timothy Earle, 2000, ch 9); The classic example is complex chiefdoms in Hawaii, in which need for large scale irrigation and storage system required for intensification gave the elites an insuperable opportunity to sustain their political hegemony over social organization and economic interactions (Earle, 1997, p 75-89)

5: Methodological Structuralism - Thinking about the social process of individuation

In the preceding section we reviewed how the institutional drift facilitated the aggrandizing attitudes of leaders in transegalitarian societies. Apart from the interesting consideration that such changes occurred in an unnatural or artificial selection process, it was important to see that individual preferences and behaviours were embedded in social context. The social context though is not some closed system independently operating above individual agents. It does not have its own universal laws dominating micro-processes either. It's an open system and its dynamics are mainly affected by individual reactions. Accordingly, we need a methodological entry-point to incorporate dual causality between the individual and the social in order to draw a non-reductionist explanation of such economic phenomena.

From the epistemological point of view, the inadequacy of MI as a methodological position bears on its inadequacy in considering super-individual processes in explanation of large-scale phenomena (in our case emergence of inequality)³⁶. The same thing goes for holistic MC, where the indispensable role of individual agency in forming social structures is overlooked. A non-reductionist approach should focus on the interrelations among individuals and try to give scientific explanation based on processes of individuation and structuration³⁷. We refer to the resulting methodological position as Methodological Structuralism (MS).

³⁶ This "explanatory inadequacy" is an important criterion of evaluation if we view theories not only as a medium to prediction but also as an apparatus to explain economic events. for a brief but critical assertion about economic explanation refer to:

Caldwell J Bruce (1994) , *Beyond Positivism*, Routledge, chapter 9

³⁷ The theory of structuration is officially proposed by Anthony Giddens. Simply put, it upholds that the individual is embedded in the social; the social in turn is constructed by feedback-like reflexive actions of the individual. See:

Giddens, A. (1986). *Constitution of society: Outline of the theory of structuration*, University of California Press

However, in what follows the interactive process of individuation and structuration is reidentified within the post-structuralist discourse. This theme is popularized that post-structuralism is a detachment of structuralism; but theoretically and historically it's a developmental continuation of structuralism. For more information see:

Structuralism is not a single well-defined theoretical discourse, and it can't be grasped in a comprehensive definition. It includes a variety of theories from the classic theories of linguistic structuralism of Ferdinand de Saussure and the anthropological structuralism of Claude Lévi-Strauss, to new forms of socio-political theories in interdisciplinary and cultural studies³⁸. Nonetheless, a specific version of structuralism is adopted here which stresses primarily the process-like nature of structures. Here, the structure is not an essence or an observable quantitative entity; it's more like a process, a pattern or course of intentions and actions which realizes itself in social totality. Roughly speaking, it's the logic of human interrelations which can be embodied in concrete institutions and unobservable customs, conventions and rules.

Given the classical concept of structure in original structuralism (as objective social wholes and organizations), this conception of structure can be grasped as a procedure for determining such structure; the complex of processes that materialize specific forms of social large-scale phenomena. This post-structuralist distinction is vital in this phase of conceptualization, since it makes it clear that "structure" in the term "structuralism" is not the holistic ahistorical notion of social wholes. It essentially bears the individual intentions and actions formed in a specific context; its existence in the long run depends on individual decisions which are substantially affected by it.

At first glance, such a decentralizing definition of structure seems to be too loosely-defined to propose as a methodological position. This is one of the theoretical difficulties arising from excessive relativism in the post-structuralist definition of structure. However, according to our discussion about historical specificity in section 2, the process-like nature of structure can be contextualized in a historical ground of a specific social totality. That is, the structure-as-a-process should be defined contextually, since in every social and historical context there are some specific individual and social aspects

Payne Michael and Jessica Rae Barbara (eds.), 2010, *A Dictionary of Cultural and Critical Theory*, Blackwell publishing Ltd. 665-669

³⁸ For introductory familiarization see:

structuralism. (2009). *Encyclopaedia Britannica. Encyclopaedia Britannica 2009 Student and Home Edition.* Chicago: Encyclopaedia Britannica.

As for more critical economic application see:

Taylor, L (2004) *Reconstructing Macroeconomics: Structuralist Proposals and Critiques of the Mainstream*, Harvard University Press

that determine socioeconomic events. In this sense, MS is a contextualist or hermeneutical position. It picks out the entry-points of theory in reference to their role in determination of the subject matter. The subject matters in social sciences are historically specified, and so is their determination; therefore, theoretical entry-points themselves are contextualized. In regard with the dual duality (the individual and the social), MS puts the explanatory weight on each one on basis of their contextual importance; in other words, the explanatory priority of either the individual or the social is essentially correlated with historical context of the subject matter.

Now we can ponder upon our first discussion about the range of autonomy of the individual in analysis. Based on the definition of structure above, the autonomy of the individual as the explanatory unit in determination of large-scale phenomena should be considered in a social context. For example, take the second-half of the 19th century into consideration; the period of competitive capitalism in Western Europe. Under the relatively egalitarian social conditions resulted from the age of enlightenment (18th century), it was the individuals who formed new structures and facilitating institutions which reinforced innovations and technological change in the industrial period. In this specific historical context, the defining factor or the major explanatory unit of analysis is the individuals who could pursue their workmanship interests through introduction and formation of institutions like ownership right and private property. In other words, the socioeconomic structure of competitive capitalism is determined mostly by individual processes. Now take the present period where individuals' expertise are encompassed by large-scale corporate expertise, and there's less chance for an individual to pursue his/her ambitions out of the framework corporations dictate. In this corporate capitalism, the explanatory unit can't be the individual alone and the corporations and their collusions essentially affect individual preferences and purposes. In other words, in contrast to competitive capitalism, the socioeconomic structure of corporate capitalism is determined mostly by super-individual processes³⁹.

³⁹ It's naive to say that those corporations are merely the configuration of their leader's intentions. Just like in financial market case, the social logic of relations (the structure) has properties dependent of properties of aggregated behaviours – if the latter can be called property at all!

By the same token, the structural approach can be applied to explain inequality in transegalitarian societies. The social rules in local-group societies were embodied in spontaneous institutions (such as kinship and ceremonies) which realized and reinforced the nature of individual interrelations (reciprocity). In such context, individuals possess a great degree of autonomy and their preferences are not manipulated by super-individual processes. On the other side, as we've seen, the nature of existing institutions was altered through the leadership of aggrandizers in big-man and chiefdom societies.

The socioeconomic structure was changed due to such institutional drift so that the defining factors of individual economic behaviour turned out to be those forces which were conducted through institutions. Accordingly, starting off from the nature of institutions and also aggrandizing individual attitudes, the synthesis structure of inequality appeared and affected the individual lives of the majority.

Aside from historical specificity, the structure as a process is specified in an evolutionary framework. We've seen how dynamics of social changes (structural changes) in egalitarian societies can be translated into the Darwinian evolutionary framework as outcomes of a "natural selection" process. On the other hand, the structural changes in transegalitarian societies, in the absence of social variations due to hegemonic governance, are results of "artificial selection".

Contextualization is a necessary part of conceptualization and theorizing in social domain. The social subject matters are essentially different from those in natural sciences; and one of their definitive characteristics is that they're historically and socially realized. MS allows one to analyse socioeconomic phenomena in a historically specified and evolutionary framework. It also helps one to add to the theoretical depth of explanation of individual processes (preference formation, behaviour, etc) by considering super-individual aspects of individual interrelations. At the same time, it helps a lot to reinforce realism of scientific explanation of an economic phenomenon, since it embeds the phenomenon in its own historical and social context and views its changing nature based on an evolutionary framework.

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