

## Price and information. Whose Power? Lessons from the early 19<sup>th</sup> century

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### Introduction

*“Are power relations the primary engine in history? Are we anthropologists able to present a deeper understanding of this intricate and contradictory human process in its present ephemeral composition: the combined forms of domination, command, exploitation, and subordination?”*

*Should our primary goal be to make these forms of power visible to others, as a first step in social transformation? Can our analysis demythologize and make visible all current forms of human domination and exploitation in ways that would help to contribute to the search of more humanized forms of social power as part of our political engagement? Is this the kind of theoretical/social labor (in a kind of political epistemology perspective) toward which we should be working?”* (Escalona Victoria, 2016: 259)

Trading and exchange of goods are not only playing more important role in human history, than their chapters in economic history books can imply and instantiate, but multifacetedly illustrating the relevance of Escalona Victoria's questions, suggesting distinct answers. Prices and price-information can excellently serve this quest.

Prices are regulating the market behavior, while price information generates the moment of decision making for every actor of the scene.

In the mainstream history literature, the velocity and exclusivity of price information transmission is a source of merchants' power: the higher the price, the greater their benefits.

James R. Beniger's brilliant book provides a sophisticated historical reconstruction of the 19<sup>th</sup> century paradigm shift: the rationalization of distributional control through different transition stages, like the factor/jobber system, new information platforms (Price Currents and early tele-distribution services), auction systems, fixed prices and price catalogs. „*Better information, in short*” as Beniger (1986:159) states, „*meant better control of the distributional system by all actors involved*”.

Nevertheless, the control of a distributional system does not equal with the control of the price making. The control of prices through price decisions is not inevitably equal with the control of price information flow. A price, no doubt, controls the behavior of the agents, but only in their particular sets of actions and only as a part of a special mix of controlling forces.

Furthermore: what about the control mechanisms which influence the merchants themselves? What is the role of gathering information *before* shaping up given prices? How about the accidental and incremental control-generating power of prices *after* determining the transactions? Where is the beginning and the end of the entangled control cascade?

It's time for a cautious deconstruction of Beniger's concept of control, as a "*purposive influence toward a predetermined goal*" (Beniger, 1986:7-8). In this vocabulary, influence is an "*influence of one agent over another, meaning that the former causes changes in the behavior of the latter*"; and Beniger use the purpose "*in the sense that influence is directed toward some prior goal of the controlling agent*", in an ultracompetitive context.

'Purposiveness', 'predetermination' and 'influence' are important starting points, when we reconstruct the intentional side of an occurrence, on a history stage, from a given actor's point of view, focusing on separated sequences. But these concepts are very problematic, when we use them as core elements of a holistic explanatory framework, trying to understand *change and emergence*. They are only components of a more complex and more elastic space of causal historical explanations and interpretations, containing other (often involuntary) influencing factors.

Interestingly, Beniger himself offers to use 'control' as a generalized concept, which "*encompasses the entire range from absolute control to the weakest and most probabilistic form, that is, any purposive influence on behavior, however slight*", seceding from the more "determinate manifestations", "approximate synonyms of influence" (direction, guidance, regulation, command, and domination), what Beniger call "strong control."

The following considerations about pricing and price-information lead us to modify the "radius of validity" of Beniger's concept of control, even if it is still the most heuristic approach to understand the 19<sup>th</sup> century origins of Information Society.

Simultaneously, our approach provides an opportunity to have future information history research a great mind, when revisiting the place and importance of price-information in the all-time information ecosystem.

### **Higher price, profit-maximization, programmable humans?**

*".. the factor served well as programmable controller, motivated by the fact that the higher the price he got for his planter's cotton, the greater his commission and commercial reputation".*

(Beniger, 1986:136)

What is the role of a ‘commercial behavior’ in shaping (higher) prices? Are we sure, that being compelled “*to gather market information, process it to make price predictions, and arrive at selling and buying decisions that maximized profits*” (Beniger, 198:134) is the only reason to allocate time and energy for information seeking (i.e. to add the cost of getting price-information quickly to the overall expenditures)?<sup>1</sup> Later, the officially/institutionally announced/transmitted price information (via newspaper sections, Price Currents, telegraph reports, etc.) are serving as tools for higher prices, as Beniger states?

In Beniger’s cybernetic vocabulary a factor (middleman, agent) is a subject of a direct command-control loop, and the ambiguities can be reduced by trust-asserting tools (like taking family members into the most important “hubs”) or through coercive solutions. “*The factor was bound to obey any instructions given him*” by an 1840 Supreme Court decision (Woodman, 1968:60). After the shift from the factor-system to the auction system, it served “*not only to control the allocation of commercial goods but to smooth the transition from traditional face-to-face exchange to more rationalized forms of distribution*” (Beniger, 1986:159). Yet, the auction system and the culture of mediated, public price-information are not about higher prices but the stability and balance through improved controllability, transcending the disturbing lack of trust.

The result – in the second part of the 19<sup>th</sup> century – is the rationalization and advancement of distributional control, with the auctions, informational innovations of fixed prices and price catalogs, providing *different benefits for different actors*, generating different types of purposes:

- For the jobber: possibility of much longer-range planning and hence market control
- For the retailer: ability to make better estimations of purchases, eliminating uncertainties
- For the manufacturer: “*greater rationalization of commerce meant better planning of production and hence further stability of distribution ... so that domestic manufacturers, like their foreign counterparts, naturally favored a more regularized and predictable means of disposing of their goods.*” (Beniger, 1986:159).

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<sup>1</sup> The most time-sensitive information was information related to market prices, and a time advantage in obtaining price information could be very profitable. Postal regulations designed to guarantee that the mail would travel faster than other sources of information were a direct result of arbitrage in commodity prices. (Brock, 2003:21). Focusing to the costs (the cost of using the price system, cost of acquiring information, negotiating etc. costs of any activity to use the price system) is the basis of the management-guided allocation paradigm (Demsetz, 1997).

By this time, the story is not simply about prices. There is a complete and complex market information ecosystem, where the successful adaptation depends on cooperation patterns, combined with disposability to follow common rules, regulations, and protocols. We are unable to form any usable model, reclining upon one-dimensional cybernetic interpretations.

### **Beyond Beniger: layers of a multi-agent control structure**

We can anticipate this complexity of control forces, *pars pro toto*, in the lense of the “control mix” of price-making, too.

Firstly, we need to make real the existing microverses of competing purposivenesses – knowledge on other actors’ positions are strongly determining the range of possibilities, pre-forming the decisions, and trying to induce information asymmetries.<sup>2</sup> So, the individual outputs are always vectors, and the resultants are constructed in a multiplayer space.<sup>3</sup>

Secondly, we should always remember, that the decisions on prices are always only parts of the full financial control landscape, where the taxes, the interest rates, the monetary ambience, the momentary liquidity conditions, the insurance background, the perception of risks and previous experiences as *off-transactional factors* are also able to modify the considerations and hence the market behavior.

Thirdly, there is a voluminous set of *off-monetary control factors*, when prices are forming: the features of shipment, packaging, storage, and their security aspects.

And finally, it is hard to underestimate the importance of hard (nature, social forge, institutions) and soft (fashion, ideologies, values) *off-commercial factors*.

The results of Uebele, Grünebaum and Kopsidis (2013:26-27) amazingly illustrate these correspondences. Observing price elasticity in proto-industrialized Saxony between 1790 and 1830, they found, that “*demographic and socio-economic change was accompanied with defensive strategies by low income households to reduce the risk of hunger*”. Storage

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<sup>2</sup> From a cybernetic point of view, it is easy to forget the counter-control forces. If there is no acceptance of outer meanings, and the only motivation is a higher price, people have lot of possibilities to resist from a simple withdrawal from the transactions to armed conflicts during hunger revolts.

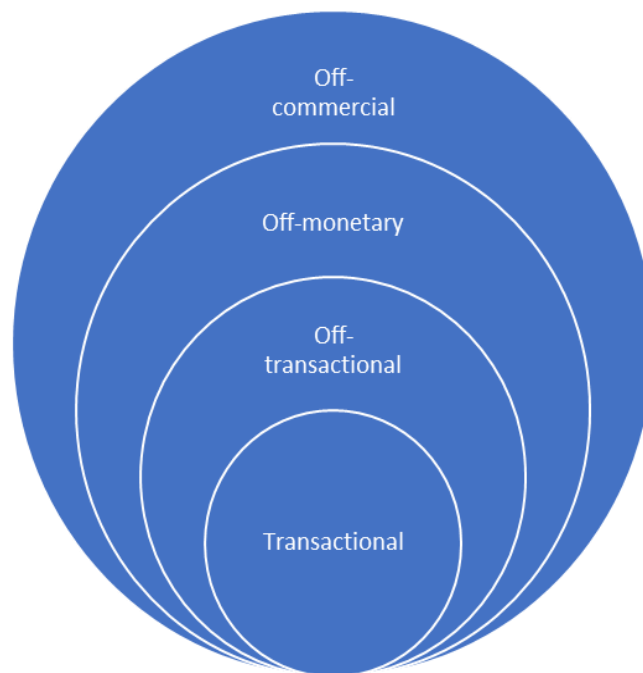
<sup>3</sup> In the neoclassical economic theory, the whole resource allocation is price-guided, based on *known technologies and prices* by the actors (Demsetz, 1997). It does not mean, of course, that unknown elements are not parts of an overall control structure.

decisions “were a mix of commercial and precautionary behavior”, based on both prices and harvest shocks – while prices were forcefully influenced by storage decisions.<sup>4</sup>

Adams et. al (2011) could show that organisational form is an important determinant of the claims experience (of Swedish fire insurers), suggesting that “mutuality acts as an effective control for information asymmetries in the market”.<sup>5</sup>

Figure 1.

### Control layers of Price-making



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<sup>4</sup> What could work in Saxony, did not work in England in the earlier centuries. Fogel (1989:2) testified, that „the famines that plagued England between 1500 and 1800 were man-made”: a consequence of insufficient information and counterproductive decisions, resulting „ failures in the system of food distribution related to an extremely inelastic demand for food inventories, rather than to natural calamities or inadequate technology.” Bisman (2012) could show the alchemy of pro domo decision making using a “unique budget document of the sixteenth century prepared for the Crown to facilitate decision-making and resource (re)allocation via the market in a period of dearth” coping with the East Anglian Famine of 1527–1528. “The budgetary procedure is detailed, together with discussion of the economic, political, and social contexts, and the significance of the Commissions as the foundation for subsequent developments in English public welfare policy. The document and policy of the commissions are critically evaluated as mechanisms of political and social control, which produced adverse behavioral responses and social outcomes”.

<sup>5</sup> They are tested “two competing arguments regarding the influence of organizational form on underwriting performance using data from the Swedish fire insurance industry for the years 1889 to 1939 – a period of both economic growth and stagnation. Since mutuality is a response to information asymmetry problems, mutual insurers are expected to report lower annual claims relative to premiums than stock insurance companies. However, an alternative view is that stock insurers seek to reduce information asymmetry problems by issuing non-participatory rights insurance contracts with high deductibles that induce risk-sharing between the insurer's shareholders and policyholders. This implies that stock insurers are likely to report lower annual claims than mutual insurers” (Adams et al, 2011).

From this broader perspective *shaping prices purposefully is always a part of an overall, metacybernetic control mechanism*, which regulates the full material metabolism of interconnected people as social macrosystem,<sup>6</sup> governing through hidden imperatives, derived from future planning and risk reducing priorities. The scene is always cooperative. On the individual level we see the patterns of competitive behavior, on the system (group) level we can recognize the patterns of cooperation and collaboration. So, the nature of information flow is also double-faced: it can polarize the competition through generating individual information advantages, but at the same time serves as a tool of co-cognition, supporting dissemination of meanings, based on mutual interests.<sup>7</sup>

In the 19<sup>th</sup> century the locally limited exchange transactions have been enabled by incidentally allocated prices of the selected goods, supporting directed actions, while creating a microcosm of price-information opened new ways to represent the world, enhancing the adaptation fitness of various actors to the new system level in its emergent phase. James R. Beniger could superbly reconstruct the chronological and structural changes in the first aspect, but there are lot of challenges to put into shape a colorful and well documented picture of the second one.

### **Summary. Five theses**

*“Anthropology moved from state-centric politics to wider and contradictory realms of configurations of power, and the ways in which power works out day-by-day. A perspective on power entails a privileged ethnographic focus on everyday differentiation, contradiction and struggle in the making of social organization”* - writes Escalona Victoria (2016:249). He defines power relations *“as differential capacities and strategies to make society, in a range of mutually constituting scales and contexts ... looking at the multiple ways in which power relationships are constructed, performed, established, resisted and criticized; and also the*

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<sup>6</sup> As an explanatory principle, the ultimate reason in the system-level control crisis of the mid-19<sup>th</sup> century is not the acceleration of the speed of product and price information transfer, but the structural inability to quickly accommodate to the growing size of interconnected people in the terms of absolute number of population, the number of meaningful connections and the transactionally involved geographical areas.

<sup>7</sup> A price system and a regulated market is very similar to the automatization process. Zuboff (1985) coined a word, 'informate' to describe the unique capacity in an automated environment to create *“new opportunities for learning and therefore new contests over who would learn, how, and what”*. The result of this learning sequence is a deeper knowledge on the system and accidental new epistemological surplus on the nature of interconnected entities. This informing power of a newly represented transaction environment was equally the same in the pre-digital era.

*multiple forms of politics beyond the state (in private or personal life)*". (Escalona Victoria, 2016:256)

Our considerations are matching with Escalona Victoria's view.

1. It's time for a switchover, seceding from power relations, building theories upon power configurations
2. The control patterns are more complex than revived in mainstream models
3. It is suggested to use control mix/cascade instead of control structures

In the context of "price ecosystems" and "price games"

4. We should change the ultracompetitive framework, highlighting the coepetitive nature of the scene<sup>8</sup>
5. Emerging production of price information (as a new class of goods) was a symptom of an emerging new system condition.

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<sup>8</sup> „anthropology should also be focused on different forms of the upsurge of social authority based on consensus,beyond and against domination" (Escalona Victoria, 2016:257).

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