Moral Economy and Business Owners in Uganda

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AEGIS conference, July 2007
Panel 12: 'African entrepreneurs and/in emerging markets: towards a situational understanding of entrepreneurial behaviour'

Introduction

> Mr A[1] owns and runs a business in Kampala, Uganda. The business is breaking even, but not prospering and not growing. He employs ten persons, all of whom are relatives, but not directly qualified for the job, which means he has to work hard himself to get the business working. In addition to supporting his own three children, he pays school fees for 10 orphans (some are from his village of origin, some are relatives, and some are friends of his children). He regularly receive visits from relatives and persons from his home village requesting assistance with regard to transport, health costs, school fees, etc, and he usually contributes (if there is cash in the business safe). He has attended courses in 'business development' where he was taught that his business could become more profitable if he separated the social obligations from his business and employed qualified persons instead of his relatives.

> "Whether, when and to what extent economic action is the subject of general social agreements about what moral standards it must meet has come to be known as the problem of 'moral economy'." (Granovetter 2001: 345)

Business owners' need to straddle both social and economic roles, as described in the fictive case of Mr A, is a familiar feature of the business environment in Africa, as it is commonly portrayed. This picture is also verified by several studies that indicates that business practice in various African countries is intertwined with various types of social obligations with economic consequences (for example Marris and Somerset 1971 on Kenya; Trulsson 1997 on Tanzania). According to Adelman & Fetini's unpublished study on business owners and managers in Senegal (referred to in Dia 1996) the estimated value of transfers to family and lineage members averaged 12 percent of income, and the reverse flow, i.e. from family and lineage members, was estimated at 6-7 percent of income.

This paper is an empirically grounded account of what moral economy entails in Uganda, from the perspective of business owners. The presentation is both descriptive and explanatory, seeking the rationale behind business owners' adherence to moral economy considerations as well as explanations to variation in behaviour. The material opens up for an analysis that problematises the 'mainstream' view that economic actors should break away from their social obligations.

[1] Mr A is fictional, but constructed as a 'composite case' incorporating examples of actual behaviour of businesspersons, provided by informants during field work in Uganda.

Theoretical perspectives

The social practice described in the introduction has been termed 'reciprocity' (Polanyi [1957] 2001, 1944), 'economy of affection' (Hydén 1983), 'transfer economy' (Adelman and Fetini referred to in Dia 1996) and 'moral economy of the subsistence ethic' (Scott 1976).

In economic and development literature, the general assumption is that business owners need to break away from these types of social obligations for their business to develop and, in the extension, economic development to take off. The prescription has generally been that developing countries need to change their informal institutions[2] to fit the formal institutions of the market and the state (North 1990; Shirley 2005), and that economic actors need to break away from the informal social networks for economic development to take place (Hydén 1983). This 'mainstream' assumption can be questioned, on both theoretical and empirical grounds. From a theoretical perspective, many NIE (New Institutional Economics) scholars, sociologists and anthropologists assert that informal institutions precede and give legitimacy (or otherwise) to formal institutions. It has been argued within NIE that importation of formal institutions from other societies is not likely to have the intended effect, since it is the informal institutions that give (or not give) legitimacy to the formal institutions. Furthermore, it is argued that informal institutions are 'sticky', i.e. slow to change, resulting in certain 'path dependence' in terms of societal change / development (Shirley 2005; North 1990). From an empirical perspective, several studies indicate that social considerations continue to play a role in determining business practice in various parts of the world, including several societies in Africa (Trulsson 1997; Adelman and Fetini referred to in Dia 1996).

The approach taken in the research at hand is to presuppose that there is a rationale to persistent informal institutions, such as the one described, and that this rationale is important to recognize and comprehend in order to arrive at a contextual understanding of social practice. The focus in this paper is on how business owners in Uganda relate to the informal institution of 'moral economy'. The 'mainstream' notion as defined above will be problematised based on an empirically grounded understanding of this phenomenon.

Moral economy, in Granovetter's (2001) definition cited above, concerns the moral limits of economic action, as defined in social norms and obligations. This paper attempts to search for a contextual definition of what such moral economy entails in relation to business owners in Uganda. The definition arrived at through the study, which will be presented below, comes close to both Hydén's definition of 'economy of affection'[3] and Adelman and Fetini's definition of 'transfer economy'[4].

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[2] Institutions are defined as the 'rules of the game of a society' where formal institutions refer to laws and regulations and informal institutions refer to conventions, norms of behaviour and self-imposed codes of conduct (North 1990, 1995).

[3] Hydén's 'economy of affection' denotes "…a network of support, communications and interaction among structurally defined groups connected by blood, kin, community or other affinities…" (Hydén 1983:8), within which economic interaction occurs in the form of cash, goods and services directed to basic survival, social maintenance and/or development purposes.

The underlying theoretical perspective applied is close to the institutional perspective, as defined by Lubeck, i.e. a perspective that "attempts to understand the behaviour of African producers in terms of their moral economies, group rationalities and articulated co-existence between formally capitalist and precapitalist spheres". The strength of this type of analysis lies in its ability to explain why and how the behaviour of African producers "often contradict expectations of both state planners and rational choice assumptions" (Lubeck 1992:526), i.e. why actual behaviour deviates from both neo-liberal and structural/radical expectations.

Another important underlying theoretical perspective is the 'embeddedness' perspective. The concept 'embeddedness', initiated by Polanyi ([1957] 2001) and developed by Granovetter (1985), denotes in this context the idea that the economy and economic actors are embedded in social structures and that: "…economic action constitutes a form of social action…" (Swedberg and Granovetter 2001:10). Within Economic Sociology society is the basic reference and the economy is seen as an integral part of society, as opposed to both mainstream Economics, which uses the market and the economy as basic references and regard society as 'given', and classical Marxism, where the economic relations are seen as the most fundamental and the social relations and society as 'superstructure'.

This research is based on the institutional and embeddedness perspectives, as defined above, and uses a contextual definition of moral economy, that will be presented throughout the paper. The research will attempt both to map and explain the phenomenon, i.e. to determine to what extent and how business owners take moral economy considerations into account as well as the rationale behind, from the perspective of the actors involved, i.e. the business owners. An important part of the research is to study variation in behaviour, i.e. the degree of business owners' involvement in moral economy, and search for explanations to this variation. The analysis concerns the societal level, not only what determine business growth as such. The paper at hand summarises what has been found so far during the research process[5], and presents indicative results based on the material presented.

Method and material

The paper is based, first and foremost, on 29 interviews made in Kampala, Uganda, in May 2005. In addition, the author has previous experience from work with business related assignments in Uganda, and general knowledge based on these experiences might have influenced the paper, consciously or unconsciously. Out of the 29

[4] In Adelman and Fetini's study on 'transfer economy' in Senegal, the type of transfers in focus are "…those provided to extended family members and certain unrelated individuals and associations. Such transfers, which are both monetary and in kind, take several forms: provision of housing , food, clothing, schooling expenditures, and monetary gifts to extended family members and unrelated individuals residing in the transferor's household or village of origin; contributions to other individuals (such as the religious leader in the village), to fraternal organisations, or to religious organisations (such as the Dahyia); work on family farms in the village; and expenditures for ceremonies (such as marriages, circumcisions, births and funerals)." (Dia 1996:180-1)

[5] In addition to the interview material presented in this paper, the research project will include a forthcoming larger empirical study, which will be conducted during 2008 and include interviews with a sample of business owners in Uganda.

interviews made, 19 were with academics of various disciplines[6], six with business representatives, and four with other persons with relevant knowledge. Seven of the interviewees were women, and all but two were Ugandans. They were all identified through previous contacts and snowball sampling, and selected based on the notion that they might have knowledge relevant for the research questions.

The majority of interviewees had much to say on the subject of moral economy and business owners, and provided a wealth of examples and approaches to the phenomenon[7]. Furthermore, the interviewees were found to have a multitude of roles in relation to the research area. For example, six of the informants run a business of their own in addition to the role as academic or business representative (three of the business representatives and three of the academics). Furthermore, the moral economy considerations described and discussed applies to a large extent to the informants themselves, as Ugandan persons with resources. Hence, sometimes they based their statements on academic knowledge, theoretical and empirical, and sometimes they based it on their own experience of relating to the moral economy and/or in their capacity as business owners. In this sense the material is complex methodologically, but also rich in content. The results in this paper should not be seen to be representative or empirically verified, but as an account of the interviewees pre-understanding of the research area, all of whom have a direct working and context knowledge of the issues being studied. The material has been used to arrive at an indicative, but empirically grounded, description of how business owners in Uganda relate to the moral economy.

Moral economy in Uganda

The content and definition of moral economy as it relates to business owners in Uganda was defined by the informants;

A. in terms of types of ***actions and transactions*** that were perceived to be primarily socially motivated and
B. in terms of types of ***social networks*** that entails and contains these transactions/actions.
C.

Content of moral economy A: Actions and Transactions

The most common types of social aspects affecting business practice that emerged from the interviews are presented in the table below[8]. Some of these

[6] The academics were active within the disciplines of Sociology, Economics, Business Studies, Organisational/Management Studies, Development Studies as well as interdisciplinary social science research.

[7] The only exception was a business representative, that works close to the government, who was the only person interviewed that simply did not understand the phenomenon being researched, i.e. the social role embedded in business behaviour, which is interesting in light of the wealth of information on the subject from the other informants.

[8] In the interviews the overarching theme of the research was defined as a study on the social role of businesspersons in Uganda. The main research question was defined as: To what extent and how do businesspersons take social considerations into account, and on what grounds (based on what rationale)? More specifically, and as a methodological tool, 'non-commercial transactions' were discussed, i.e. economic transactions that are based on social norms and relationships, as opposed to

transactions/actions were regarded as beneficial for the business, others might be regarded as a drain from the business perspective, and the assessment of each is indicated in the table.

Effect on business	*Types of transactions/actions*
+	Capital at start up
+	Skills and contacts
+/-	Extending service
+/-	Relatives as employees
-	Contributions in money and kind
-	Time for social obligations

The types of obligations and rights that are connected to the moral economy embedded in the social relations/groups/networks defined above are generally seen to be detrimental to business growth. However, many who start a business in Uganda gets the initial start-up ***capital*** from or with the help of social networks and almost all business owners have assisted someone else. According to the Ugandan GEM study (Walter et al. 2004) many people give money to someone starting up a business, very willingly, but they give small amounts. In general nothing is expected in return, loans are often turned into gifts 'by default' and no contracts are signed. Some people have started to ask for interest, but that is still very rare. One informant stated that it would be inappropriate to remind about a loan, but the one that has assisted would implicitly expect to get help him/herself if in some sort of need (in line with 'generalised reciprocity'). It is perceived as difficult (impossible for most small business owners) to get a bank loan and the interest is high.

Employing relatives and other socially relevant people is very common, and it is indeed a mixed blessing, from the perspective of the business. On the positive side, relatives work for less than full wage, sometimes being paid in kind, such as housing and food, school fees, etc. On the other hand informants claim that relatives cannot be made accountable, that they tend to misuse resources and have more demands than external employees. Furthermore, since relatives are employed based on social considerations, and not on the competence and skills of the individual, they might not be the best person for the job, from the perspective of the business. Several of the informants maintain that there is social pressure from the extended family to employ relatives and that it is not socially acceptable to deny a relative a job. One of the informants said that "the feeling is, that even if the resources are not utilised properly, at least they remain within" (supposedly within the family). Another informant said that some businesspersons say: 'it is better to employ strangers, than someone I know".

economic transactions that are motivated by business rationale. The interviewees where asked to give their spontaneous view of these issues, to define the relevance of the research area and to describe how they would define, describe and exemplify these types of 'non-commercial transactions' and social relations. The research area was deliberately defined rather vaguely, in order to open up for new ideas and perspectives and not to limit the informants' answers to preconceived ideas. The information from the informants has been analysed using a grounded theory approach. Themes and categories where identified in the material and the notes where grouped under these headings.

Skills spread through social networks. Experiences and knowledge are shared freely within (at least some) social groups. 'No patent here' as one informant expressed it. One phenomenon that was mentioned is when a group of people from the same village, area or language group share the same skill. Such groups market together, help each other in meeting orders and share knowledge and experience. Sometimes this type of group is based in the village/area of origin, but this type of skills- and origin-based groups is also found in the capital, among those who have migrated. For example, a group of carpenters, all located in the same area of Kampala and originating from the same district or language group. They would also have come to the capital in the first place through someone from the same area and end up with 'their own people'. Business to business contacts also spread through social networks. To get a good supplier, customer, etc, it is important to know someone, who knows someone who can provide the right connections.

Two of the informants, who were also businessmen, said that they (and other businesspersons) had ***extended various types of service to the village*** of origin, in spite of it being unprofitable. Examples included setting up a shop or start a school. One person had installed a mobile phone in the village, for anyone to use and reach him if they had a problem. The motivation seem to be mostly based on social concerns, but one of the informants meant that it could be seen as an investment for future profitability. The view of the relationship between business owners and their rural village of origin varied, however, between the informants. Some claimed that most business owners had not invested anything in the village, and that such activities were undertaken more by politicians, who were fishing for votes, and by NGOs. Others claimed that if there is a problem in the village and a business family is connected to the village, they have to assist in some way.

Pure ***cash contributions*** from the business cash flow, to socially relevant persons, based on social considerations, seem to be very common. One informant, who worked with education for SME business owners, said that this was a common theme in the workshops held, that was often brought up by business owners themselves. If there is cash in the business safe and a relative, friend or acquaintance comes and asks for money for a specific purpose, the business owners find it difficult to refuse, regardless of the cash flow situation for the company. Regular commitments in terms of school fees are very common. (Several of the informants, both business persons and academics, supported schooling for a number of children.) The children were often relatively close relatives, such as younger siblings and nieces, some were relatives in the rural village of origin, while others were orphans or children in unfortunate families, such as village neighbours, urban neighbours, friends of own children, etc. Another common type of cash contribution is to pay for and arrange health care for someone within the social network who has fallen sick. The health care arrangement often includes expenses for transport as well as housing and living costs in the capital, if the sick person comes from the rural areas. Cash contributions are also connected to social functions, such as weddings, funerals and graduation parties, were relatives and friends who are perceived to have resources (such as business owners) are expected to contribute to the expenses. If the business owner has a house in the capital but comes from outside the capital, relatives, friends and acquaintances expect to stay in the house in the capital at any time. The stay is always for free and the host is expected to provide all food, and sometimes also transport, medical bills, parties (marriage, graduation parties), school fees and connected costs (if a child is staying for studies).

Several of the informants emphasised that social roles and expectations take a lot of ***time***, which has an immediate effect on business operations. Funerals were repeatedly mentioned as being time consuming, but very important social occasions. To some extent the importance attached has to do with showing respect for the deceased and the family, but in addition and depending on the relationship with the deceased and the family, the guest might also have a role in traditional ceremonies that are connected with the funeral. Weddings are also important social occasions, and plenty in numbers. The wedding receptions are usually as large as the couple and their families can afford, which means that most business owners are invited to many weddings. It is not only the social functions that take time, but all the social services and cash and in kind contributions described above are also very time-consuming in addition to the cash resources it draws (for example when someone needs to get to the hospital, when someone stays in the house, etc). The female informants, in particular, stressed the fact that women, even if they run a business, have to attend to the old and sick in the family. The general point, that social obligations are time-consuming and affect the time that can be devoted to the business, was emphasised by male informants as well. As one informant put it: "the whole social service here, such as attending to mentally ill, old, unemployed, sick, depend on the extended family".

Content of moral economy B: Social Networks

The main social groups and networks that contain and entail moral economy transactions/actions were identified as:

- Family, including extended family
- Village of origin
- Ethnic and religious groups
- New social groups in urban settings

The extended ***family*** is an important social institution in Uganda, although there is a tendency, especially in urban areas, to focus more on the nuclear family. The lion share of social services, such as care for and assistance to the sick, support to the unemployed, grants for education, child care, care for the old, assistance in getting a job, etc, depend in the first instance on the family and the extended family. Furthermore, income redistribution is expected within the immediate kinship group. The major part of moral economy considerations that affect business owners are related to the family and extended family. In rural settings, the family definition is often extended to include everyone born in the same place/village.

The ***rural-urban link*** is strong, although the better part of business life is concentrated to the capital. The majority of Ugandans live in the rural areas, although this is changing due to high rate of urbanisation. The rural and urban are linked by family connections, and often in actual terms represents two parts of the same (extended) family. The urban part of the family is the link to 'development', to the wider, formal economy, while the rural part provides food and security in case of failure and constitutes the link to the subsistence economy. For those in the village, the family member in the city is seen as a resource; villagers that have urban-based relatives consider themselves fortunate. Therefore, some types of social obligations of business owners are related to their rural village of origin.

Ethnic and clan identities are relatively important in Uganda, but the extent to which they play a role in economic relations is not very clear. Some of the informants claim that clan members sometimes can have similar expectations on each other as extended family members, while others maintain that clan issues are not important. In general, as the family definition and type of relationship are currently undergoing a lot of change, the extent to which business owners have social obligations/rights in relation to family and clan members are likely to vary greatly between individuals.

In the urban settings, where most business owners dwell, ***new social groups*** are growing and to some extent take over the role of family and village members. Examples of new social groups include rotating credit institutions (revolving funds, gift-giving groups, women groups, etc), urban neighbours, work place contacts and friends, school friends, and new churches. Some informants implied that these groups might have taken over the some of the roles of extended family including moral economy considerations.

Religious groups generally cut across ethnic groups in Uganda. The majority is Christians of different denominations but there is also a rather substantial Muslim minority (appr 10%). To some extent people from the same religious groups might assist each other, especially with regard to the new churches, but to what extent business owners are involved in these networks is not clear. One informant stated that "businesspersons generally have no time for church", but that might of course be a personal opinion.

Uganda holds two minority groups that are particularly involved in business; the Ugandan Asians and the Muslims, but these will not be in focus of this research[9].

Extent of embeddedness in moral economy

The extent to which business owners are embedded in the moral economy described above is likely to vary significantly. First of all, many informants pointed out that the variation would depend on the individual; on the degree of ***altruism*** of the individual business owner. However, social as well as structural and institutional aspects were also pointed out.

The difficulties for business owners in drawing boundaries with regard to social obligations were described by several informants. The general view was that, in order to succeed with the business, it was necessary to break away from or limit social obligations, but it had to be done with caution. In order to professionalise a business, it was seen as necessary to employ external persons (not family members), but this could only be done when the business had grown in size. The consequences of breaking away were described mainly in ***social*** terms, as "being looked at

[9] Both the Asians and the Muslims are more involved in business than other groups, in particular the Asians, who practically dominate business in the country. A lot of research has been made on minority business groups, which has pointed to the special circumstances that explain why these groups tend to succeed in business. One of the main explanations, according to Granovetter (2000), is that the limited size of the group allows them to find a proper balance between coupling (trust-generated) and decoupling (due to economic strain of moral economy) in relation to social groups and obligations.

unfavourably", " being isolated socially", being told nasty words, such as being accused of being self-centred, "people saying: XX 'got lost'".

One important aspect that was pointed out was the ***long-term perspective*** in each individual case. Who had assisted the business owner with education, contacts, starting-up capital, and how did he/she relate to them now? The children that the business owner now supports with school fees; will they assist him/her when older or in need? There might be an element of direct reciprocity, even if it is in the long term, in addition to the 'generalised reciprocity' that seem to underlie most of the transactions/actions. One informant pointed out that the negotiation of social functions and relations would be interesting to explore. Which ones to assist and support and which ones not to assist and on what grounds? Which social obligations has an individual not fulfilled?

The form and extent of embeddedness in the moral economy might also vary with the ***gender*** of business owner. Interestingly enough, male and female informants had different views of the role of respective gender in the moral economy. According to a male informant, women has less demands from family than men, since men has to support both his own and his wife's families, while women does not have to contribute to the husband's family. A female informant, however, claimed that the role of the man as bread-winner is changing and that women face the same demands from families with regard to general social obligations. Furthermore, women have the role of the family care taker. If someone in the family falls sick, the woman has to go out of her business and take care of that person. A businesswoman also has to arrange for child care and house keeper, in order to be able to focus on her business.

An important and often mentioned reason for paying attention to moral economy considerations had to do with ***security***. In an insecure environment it is important not to be socially isolated. As one informant put it: "You have to understand that in this country we have insecurity in all aspects. We have political insecurity, economic insecurity and physical insecurity. People move up and down in classes. Today I am successful; tomorrow I can be out on the street. The social networks are our only security. If something happens to me, I need to know that someone cares for my children."

Several informants also pointed out that the level of embeddedness could also be expected to vary with the ***size of the business***. Small businesses would depend more on social networks and might benefit from it on balance, while large companies depend more on politicians, as they often rely on the government for business opportunities, and medium sized business would fall somewhere in-between. Informants indicated that for the medium sized businesses, the social networks might not be beneficial any more, while they still draw resources. As the business grows, somewhere a leap is taken to other, more elite based, networks, and the business owner would distance him/herself from dependants. Larger companies might also contribute socially, but it would be based on the company, not the individual business owner. One informant maintained that many large companies budgeted for social contributions, such as educational funds, etc, but generally did not make it public, for fear of overcrowding of requests. They would only go public when contributing together with the government.

The struggle between business and moral economy principles seems to be most visible in relation to ***middle sized business owners***. This is also the category that is likely to exhibit the largest variation and would be the most interesting category to study. What determines who breaks away from moral economy and who does not? How are the business owners managing to negotiate in social relations, how do they find a balance between being socially acceptable and legitimate and at the same time run a growing business?

Comparison with other studies

In sum, the material at hand indicates that moral economy considerations do affect business behaviour in Uganda in various ways and through different social networks. The contextual definition of moral economy in Uganda that emerges is similar in many regards to accounts from neighbouring countries.

Trulsson (1997), in his study of 26 entrepreneurs in Northwest Tanzania, describes the social obligations the entrepreneurs have in relation to their extended families as including cash contributions in the form of monthly allowances, ad hoc expenditures for hospital fees, payment of education, housing and feeding children of rural relatives, and provision of capital for starting-up new ventures. Only three of the 26 entrepreneurs in the study stay away from obligations of supporting the extended family, and the others take on the obligations with more or less enthusiasm. Employing members of extended family is, as in Uganda, seen as a mixed blessing. Most of the entrepreneurs prefer employing outsiders, because of perceived problems with control and quality of work with regard to family members. Nevertheless, almost all of them do employ extended family members.

In Marris and Somerset's classical study of Kenyan business owners (1971) the same ambivalence with regard to relatives as employees was identified. Relatives tended to treat the business as if it was their own and come and go as they like, but on the other hand, there might be competent persons within the family and if so, they might be trusted more than outsiders. It was noted that, regardless of the opinion on the subject, the majority of business owners did employ relatives, even the majority of those who mistrusted relatives (Marris and Somerset 1971:139). In general, however, the business owners in Marris and Somerset's study considered claims by relatives and kins to be subordinate to business interests, and they had found that if they insisted, their principles of separating business from family interest was reluctantly accepted in the end[10].

With regard to start-up capital, both the Kenyan and the Tanzanian study indicate that African business owners rarely find capital through the family networks, since the families in general are too poor (this was in the Kenyan case contrasted with the Asian business owners, where the family networks held useful resources for the business, in terms of capital, skills as well as contacts). On the other hand, almost all

[10] The Tanzanian study exhibits more similarities with the Ugandan material than the Kenyan study. This is not surprising, as Kenya was seen by the Ugandan informants as very different in terms of business climate. Kenya has had a longer exposure to international business and is more influenced by international business practices.

business owners in both studies had supported a relative in starting their own business venture, not expecting to be repaid, as in the Ugandan case. It was seen as a good way to help someone become independent, rather than continue to support the person on a regular basis.

The character of the interaction between a business owner and his/her extended family is, naturally, dependent on the ***economic and social position of the family***. When the family is poor, the demands on those that have succeeded are naturally higher, and the benefits of the family networks might be limited. In the Tanzanian case, the entrepreneurs did not come from wealthy backgrounds, but some of them could benefit in terms of social capital from high status of their fathers or grandfathers (former chiefs, clergymen, etc). In the Ugandan material, this issue was not brought up, and I would assume that the reason is that most business owners are seen to come from similar and relatively poor backgrounds. According to some informants, business has been seen as an occupation for those that did not succeed well in school, and not very prestigious (as opposed to the very prestigious government and political sphere). However, this attitude is changing as some role models have emerged, that has managed to become very wealthy and influential based on business ventures. The economic and social position of the family is likely to influence the moral economy interaction and would be an important factor in future research on the subject.

One aspect that was pointed out by the Ugandan informants was the fact that social obligations takes a lot of ***time***. This aspect does not seem to have been explored in the related studies reviewed, but is likely to have a great bearing on the business performance, hence demands some attention.

In the Ugandan material at hand, the moral economy considerations are not only seen in relation to the extended family, but also in relation to village members, ethnic and religious networks and new urban social groups. The rural-urban connection in Africa is a well-known and well-researched theme (for example Baker and Pedersen 1992), mentioned also in Trulsson's (1997) study, where entrepreneurs who have moved away from the rural area have been seen to invest in various development projects for their region of origin. The role of ethnic groups in relation to business is also well-researched, especially with regard to minority groups, and in particular the Asian minority in East Africa (for recent publications see Vandenberg 2003 on Kenya; Kristiansen 2004 on Tanzania; Ramachandran and Shah 1999 on Kenya, Zambia, Zimbabwe and Tanzania). The role of ***new urban social groups*** in relation to moral economy and business seem, however, less explored. Some of the informants indicated that some of the roles of the extended family are taken over by the new urban social groups. If that is the case, it might indicate that moral economy considerations are not only deeply rooted social norms and traditions pertaining to the traditional subsistence economy as often implied in relation to the extended family, but also fulfils a structural need in a modern urban setting. This aspect will certainly need to be further explored, and leads us to develop the analysis of the rationale behind business owners' moral economy considerations.

The type of moral economy described above is a pervasive informal institution in Uganda, applicable to any person with resources, ***not only business owners***. This is very clear from the interviews, where almost all informants were able to relate to the questions based on personal experience. In this study business owners are used as the lens through which moral economy is seen, which gives raise to certain questions in terms of consequences for business growth, and in the extension for economic growth and development, in addition to the general societal role of moral economy. The same or similar moral economy considerations would assumingly be relevant also in relation to political actors, but would then give rise to a whole other set of questions, not the least in relation to the issue of corruption (see de Sardan 1999, for an interesting account of the subject).

The rationale behind

In spite of the fact that it is perceived as necessary from a business point of view to break away from moral economy considerations, both from a mainstream theoretical point of view, and from some actors' (business owners') point of view, the phenomenon continues to exist and play a role in business practice, at least in Uganda and Tanzania and to some extent in Kenya, as reviewed above. Why is that so? What is the rationale behind? The extent to which individual business owners attend to moral economy obligations varies, and the one of the aims of this research is to search for patterns in this variation. Why is one individual business owner breaking away from moral economy obligations and another adhering to them?

According to the Ugandan material at hand, the rationale behind the moral economy as pertaining to business owners can be found in individual, social, economic as well as structural/institutional factors.

- Individual preference – altruism?
  A frequent statement from the Ugandan informants was: "It depends on the altruism of the individual". Of course, individual variation is one factor in any social practice, but the question is whether altruism is the main individual factor. Why is one person more altruistic than another? Altruism is not likely to be genetic, hence it would make sense to assume that upbringing, social and psychological factors would come into the picture. The family and social background and experience of each individual business owner would therefore have to be mapped out in order to understand variation in behaviour.

- Social factors – group belonging and prestige
  The consequences of breaking away from moral economy networks was described by the Ugandan informants primarily in social terms, as being socially ostracised, which was perceived as a very severe punishment. This is the main mechanism through which social norms are upheld in general, and it is indeed powerful, due to the deep human need of social belonging. Another reason, not mentioned by the Ugandan informants, but pointed out by Trulsson (1997) among others, is the social prestige associated with being able to provide for others. This theme is thoroughly researched in relation to patron-client systems. These types of social factors are important in their own right and should not be underestimated and/or explained only in structural/institutional terms, which is often the case in studies related to economic relations. In line with the embeddedness perspective, economic action can be seen as a form of social action, where both social and economic motivations are at play.

- Structural/institutional considerations – reciprocity
  The moral economy as described above can be explained in terms of the socio-economic institution of reciprocity. It is also meaningful to distinguish between generalised and balanced reciprocity in Sahlins' (1972) terminology, where balanced reciprocity refers to direct exchanges, where a return of a similarly valued goods or service is expected within a relatively near future, while generalised reciprocity refers to transactions where no return is expected and stipulated, and the expectation of reciprocity is indefinite. Within generalised reciprocity receiving a goods or service merely entails a vague obligation to reciprocate when and if the giver is in need. Most of the transactions pertaining to the moral economy as defined above are of a generalised reciprocal character. The exchange can remain unbalanced for a long time or forever, but the institution also involves a kind of security in knowing that the same principle applies to the giver, if and when in need. The distinction between generalised and balanced reciprocity might, however, be seen as gradual. As some of the Ugandan informants pointed out, there might be a greater obligation to assist those that have assisted the business owner in the past, for example a relative that has facilitated with regard to education or contacts or similar. It seems therefore important to find out which type of reciprocity is applicable to various parts of the social networks and the history of exchanges in these relationships.

- Structural/institutional considerations – social welfare system
  In structural terms, the moral economy can be seen as a social welfare system (in line with Adelman and Fetini's study mentioned above). The practice was referred to by the several of the Ugandan informants as security, safety net and/or insurance and risk management. The safety net aspect of the moral economy is also generally recognised in research on the subject. Even Hydén (1983) recognises the 'economy of affection' as being an important safety net for the poor. The notion that the same institution also provides security for the business owner, seem, however, less explored, but was emphasised by several of the Ugandan informants. In addition to the security or safety net aspect, pure income redistribution is part of the parcel as well. This aspect is at the heart of the moral economy in Granovetter's (2001) definition; the moral standards that economic action has to meet in relation to general social agreements/norms, and is related to the question of social legitimacy of wealth. The welfare and redistribution aspect of the moral economy is a huge research area which is related to the whole question of where the line is drawn, in any society, between public and private responsibilities, which societal institution is seen to be responsible for what and the relationship between formal and informal institutions. This research attempts tackle this issue, first and foremost, from the perspective of the actors, the business owners, but will also attempt to connect the results of the research to the institutional environment, formal as well as informal, in terms of welfare and redistributional aspects[11].

[11] Important questions to consider throughout the continued research process are: Who is taking on the social responsibility in Uganda if the extended family does not work as it used to? What happens to those that are outside the social networks and without resources? How are business owners expected to be able to contribute to society by creating employment and surplus if the institutional structure does not allow them to invest in the business?

The benefits to the business owner of the moral economy might be found primarily in relation to the contacts and skills that can be spread through the social networks. This aspect is related to the research area of ***social capital and trust*** in economic relations. Many studies have shown the importance of social capital for business success (see for example Fafchamps and Minten 2002). The importance attached to social relations, indicated by the Ugandan informants, in the form of various types of assistance and in the form of attendance to social functions (funerals, weddings, etc) could, from this perspective, be seen as 'investments' in social relationship and in trust.

Concluding remarks

This paper set out to describe and explain moral economy as it pertains to business owners in Uganda, based on the empirical material at hand. Furthermore, it set out to problematise the 'mainstream' view that informal institutions have to be replaced by formal institution and/or that individuals should break away from the moral economy for 'development' to take place.

Certain support for the 'mainstream' view can definitely be found in this paper. Many of the informants perceive moral economy considerations as a hinder to business growth. A common view seem to be that larger companies have let go of the link to the moral economy and that this might indeed have been a prerequisite for achieving the growth in size and profitability. However, and in light of other results presented, some questions have to be raised on the consequences that might follow from the 'mainstream' route of letting go of or breaking away from the institution of moral economy.

The two most important overarching considerations/rationales behind adhering to moral economy principles, emerging from the analysis above, are: social legitimacy and social security, where the first is a 'purely' social consideration and the second a structural/institutional issue.

The risk of social ostracism if breaking with the norms of moral economy was regarded as highly significant by the informants. The need of belonging to a group, the need to have social legitimacy, the need to be seen to do the right thing in relation to socially relevant individuals and groups was continuously stressed. This is at the heart of 'moral economy' as defined by Granovetter (2001); the moral limits to economic action, which exist in any society, although in various forms. These moral limits do not only concern those moral principles that are needed for a market economy to function, as defined by, for example, Platteau (1994), but also, as Scott (1976) has shown, a minimum right to subsistence, which can translate into a an obligation by society and those with resources to adhere to norms of redistribution. From this perspective, the moral norms might very well have an underlying structural rationale, which lead us to the second consideration: social security.

The question of social security at a structural level has to do with where the line is drawn, in any society, between public and private responsibilities and the relation between various types of institutions, formal and informal. In the Ugandan context most of the social services and social security rests with the informal social networks, primarily the extended family. From this perspective the moral economy can be seen as an informal institution for social security or as a type of insurance and risk management. In the Ugandan context the formal institutions are not able to fill these needs at present. Hence, there seem to be a need for the moral economy, both from a societal point of view and from the business owners' point of view, as a 'social-insurance-if-everything-goes-wrong'.

Based on the argument above, it is quite obvious that a diminished role of the moral economy, without replacing its content with formal social insurance institutions, would lead to social disintegration, in both material and social terms. There would be greater resource inequalities as well as a breakdown of legitimising mechanisms for such inequalities. In other contexts, such as England and Southeast Asia (Granovetter 2001; Scott 1976), such breakdowns of moral economy have led to popular rebellions.

The rebellion argument might appear unnecessarily exaggerated. A neo-liberal economist argument would be that such structural change is necessary, even if painful in the short term, for economic growth to take place, which would create the resources for building the formal institutions of social insurance at a later stage. In that perspective the current situation, where moral economy influences business practice, would be a transitionary phase, bound to disappear as the integration into the global economy progresses.

An alternative interpretation is that the current high level of 'embeddedness' of economic actors in the moral economy is a relatively stable situation, where it is possible for business to grow slowly, in tune with what is socially acceptable, both morally and structurally. In that perspective the moral economy fulfils an important societal function that should be strengthened rather than diminished. It would even be possible to imagine the moral economy to be an important precondition for socially sustainable economic growth. Perhaps the middle-sized businesses in Uganda, relatively few but more embedded in the moral economy than larger companies, play an important role in bridging social and economic goals of development in the country. This hypothesis is certainly worth testing.

Furthermore, the NIE research on informal institutions mentioned in the introduction is worth recollecting: informal institutions are considered slow to change and are seen to give or not give legitimacy to formal institution. Would it not make sense to build future Ugandan formal social security institutions on aspects of the moral economy rather than attempting to diminish the role of this informal institution?

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