



Introduction

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Chapter 4 The market as a social institution

Chapter 4 The market as a social institution

Sociological Perspectives on Markets And The Economy

Adam Smith, in his book, *The Wealth of Nations*, attempted to understand the market economy that was just emerging at that time.

Smith argued that the market economy is made up of a series of individual exchanges or transactions, which automatically create a functioning and ordered system.

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Sociological Perspectives on Markets And The Economy

There seems to be some sort of an unseen force at work that converts what is good for each individual into what is good for society. This unseen force was called 'the invisible hand' by Adam Smith.

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Sociological Perspectives on Markets And The Economy

Smith argued that the capitalist economy is driven by individual self-interest, and works best when individual buyers and sellers make rational decisions that serve their own interests.

Smith used the idea of the 'invisible hand' to argue that society overall benefits when individuals pursue their own self-interest in the market, because it stimulates the economy and creates more wealth.

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Sociological Perspectives on Markets And The Economy

For this reason, Smith supported the idea of a 'free market', that is, a market free from all kinds of regulation whether by the state or otherwise. This economic philosophy was also given the name *laissez-faire*, a French phrase that means 'leave alone' or 'let it be'.

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Sociological Perspectives on Markets And The Economy

Sociologists view markets as social institutions that are constructed in culturally specific ways. For example, markets are often controlled or organised by particular social groups or classes, and have specific connections to other institutions, social processes and structures.

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Sociological Perspectives on Markets And The Economy

Sociologists often express this idea by saying that economies are socially 'embedded'. This is illustrated by two examples, one of a weekly tribal haat, and the other of a 'traditional business community' and its trading networks in colonial India.

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Tribal Market:

The weekly haat is a common sight in rural and even urban India. In hilly and forested areas (especially those inhabited by adivasis), where settlements are far-flung, roads and communications poor, and the economy relatively undeveloped, the weekly market is the major institution for the exchange of goods as well as for social intercourse.

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Tribal Market:

A market for tribal labour developed during the colonial period. Due to all these changes, local tribal economies became linked into wider markets, usually with very negative consequences for local people.

The weekly market as a social institution, the links between the local tribal economy and the outside, and the exploitative economic relationships between adivasis and others, are illustrated by a study of a weekly market in Bastar district.

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Tribal Market:

The major goods that are exchanged in the market are manufactured goods (such as jewellery and trinkets, pots and knives), non-local foods (such as salt and haldi (turmeric)), local food and agricultural produce and manufactured items (such as bamboo baskets), and forest produce (such as tamarind and oil-seeds).

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Caste-Based Markets and Trading Networks in Pre-colonial And Colonial India

Economic transformation was thought to have begun only with the advent of colonialism.

Under colonialism and in the early post-independence period, the penetration of the commercial money economy into local agrarian economies, and their incorporation into wider networks of exchange, was thought to have brought about radical social and economic changes in rural and urban society.

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Caste-Based Markets and Trading Networks in Pre-colonial And Colonial India

Various kinds of non-market exchange systems (such as the 'jajmani system') did exist in many villages and regions, even during the precolonial period villages were incorporated into wider networks of exchange through which agricultural products and other goods circulated.

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Caste-Based Markets and Trading Networks in Pre-colonial And Colonial India

India was a major manufacturer and exporter of handloom cloth (both ordinary cotton and luxury silks), as well as the source of many other goods (such as spices) that were in great demand in the global market, especially in Europe.

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Caste-Based Markets and Trading Networks in Pre-colonial And Colonial India

The pre-colonial India had well-organised manufacturing centres as well as indigenous merchant groups, trading networks, and banking systems that enabled trade to take place within India, and between India and the rest of the world.

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Caste-Based Markets and Trading Networks in Pre-colonial And Colonial India

These traditional trading communities or castes had their own systems of banking and credit. For instance, an important instrument of exchange and credit was the hundi, or bill of exchange (like a credit note), which allowed merchants to engage in long-distance trade.

The Nattukottai Chettiars (or Nakarattars) of Tamil Nadu, provide an interesting illustration of how these indigenous trading networks were organised and worked.

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Colonialism And the Emergence Of New Markets:

The advent of colonialism in India produced major upheavals in the economy, causing disruptions in production, trade, and agriculture.

In the colonial era India began to be more fully linked to the world capitalist economy,

Before being colonised by the British, India was a major supplier of manufactured goods to the world market.

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Colonialism And the Emergence Of New Markets:

After colonisation, she became a source of raw materials and agricultural products and a consumer of manufactured goods, both largely for the benefit of industrialising England.

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Understanding Capitalism as A Social System :

One of the founders of modern sociology, Karl Marx, was also a critic of modern capitalism.

Marx understood capitalism as a system of commodity production, or production for the market, through the use of wage labour. As you have already learned, Marx wrote that all economic systems are also social systems.

Each mode of production consists of particular relations of production, which in turn give rise to a specific class structure.

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Understanding Capitalism as A Social System :

He emphasised that the economy does not consist of things (goods circulating in the market), but is made up of relations between people who are connected to one another through the process of production.

Under the capitalist mode of production, labour itself becomes a commodity, because workers must sell their labour power in the market to earn a wage.

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Understanding Capitalism as A Social System :

This gives rise to two basic classes-capitalists, who own the means of production (such as the factories), and workers, who sell their labour to the capitalists.

The capitalist class is able to profit from this system by paying the workers less than the value of what they actually produce, and so extracting surplus value from their labour.

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Commoditisation And Consumption:

Commodification occurs when things that were earlier not traded in the market become commodities, For instance, labour or skills become things that can be bought and sold.

In earlier times, social skills such as good manners and etiquette were imparted mainly through the family.

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Commoditisation And Consumption:

Another important feature of capitalist society is that consumption becomes more and more important, not just for economic reasons but because it has symbolic meaning. In modern societies, consumption is an important way in which social distinctions are created and communicated.

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Commoditisation And Consumption:

The consumer conveys a message about his or her socioeconomic status or cultural preferences by buying and displaying certain goods, and companies try to sell their goods by appealing to symbols of status or culture.

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Commoditisation And Consumption:

One of sociology's founders, Max Weber, was among the first to point out that the goods that people buy and use are closely related to their status in society. He coined the term status symbol to describe this relationship.

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Commoditisation And Consumption:

Weber also wrote about how classes and status groups are differentiated on the basis of their lifestyles, Consumption is one aspect of lifestyle, but it also includes the way you decorate your home and the way you dress, your leisure activities, and many other aspects of daily life.

Sociologists study consumption patterns and lifestyles because of their cultural and social significance in modern life.

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Globalisation- Interlinking of Local, Regional, National and International Markets:

Since the late 1980s, India has entered a new era in its economic history, following the change in economic policy from one of state-led development to liberalisation.

This shift also ushered in the era of globalisation, a period in which the world is becoming increasingly interconnected not only economically but also culturally and politically.

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Globalisation- Interlinking of Local, Regional, National and International Markets:

The term globalisation includes a number of trends, especially the increase in international movement of commodities, money, information, and people, as well as the development of technology (such as in computers, telecommunications, and transport) and other infrastructure to allow this movement.

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Globalisation- Interlinking of Local, Regional, National and International Markets:

A central feature of globalisation is the increasing extension and integration of markets around the world. The software services industries and business process outsourcing (BPO) industries (such as call centres) are some of the major avenues through which India is getting connected to the global economy.

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Globalisation- Interlinking of Local, Regional, National and International Markets:

Companies based in India provide low-cost services and labour to customers located in the developed countries of the West.

Under globalisation, not only money and goods, but also people, cultural products, and images circulate rapidly around the world, enter new circuits of exchange, and create new markets.

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Debate On Liberalisation - Market Versus State:

Liberalisation includes a range of policies such as the privatisation of public sector enterprises (selling government-owned companies to private companies); loosening of government regulations on capital, labour, and trade; a reduction in tariffs and import duties so that foreign goods can be imported more easily; and allowing easier access for foreign companies to set up industries in India.

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Debate On Liberalisation - Market Versus State:

Another word for such changes is marketisation, or the use of markets or market-based processes (rather than government regulations or policies) to solve social, political, or economic problems.

These include relaxation or removal of economic controls (deregulation), privatisation of industries, and removing government controls over wages and prices.

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Debate On Liberalisation - Market Versus State:

Increasing foreign investment is supposed to help economic growth and employment. The privatisation of public companies is supposed to increase their efficiency and reduce the government's burden of running these companies, However, the impact of liberalisation has been mixed.

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Debate On Liberalisation - Market Versus State:

Some sectors of Indian industry (like software and information technology) or agriculture (like fish or fruit) may benefit from access to a global market, but other sectors (like automobiles, electronics or oilseeds) will lose because they cannot compete with foreign producers.

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Debate On Liberalisation - Market Versus State:

Indian farmers are now exposed to competition from farmers in other countries because import of agricultural products is allowed.

Liberalisation is against this kind of government interference in markets, so support prices and subsidies are reduced or withdrawn. This means that many farmers are not able to make a decent living from agriculture.

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Debate On Liberalisation - Market Versus State:

Similarly, small manufacturers have been exposed to global competition as foreign goods and brands have entered the market, and some have not been able to compete.

The privatisation or closing of public sector industries has led to loss of employment in some sectors, and to growth of unorganised sector employment at the expense of the organised sector.

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Debate On Liberalisation - Market Versus State:

This is not good for workers because the organised sector generally offers better paid and more regular or permanent jobs.

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