

## Chapter-4

### The Market as a Social Institution

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#### Facts That Matter

Market is a place of interaction between the buyers and sellers, producers and consumers in respect to goods and services.

#### Social Aspect of Market

- Interchange and interaction among people.
- It is a place where there is exchange of information and building of relationship.

#### Economic Perspective

- Distribution, production, consumption of goods and services, as well as investments.
- The discipline of economics is aimed at understanding and explaining how markets work in modern capitalist economies – for instance, how prices are determined, the probable impact of specific kinds of investment, or the factors that influence people to save or spend.

#### Adam Smith

**Market economy:** 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.

**Self-interest:** Every individual is interested/works for his own self-interest. When every individual thinks in this way, it contributes to the profit and growth of the country. Society overall benefits when individuals pursue their own self-interest in the market, because it stimulates the economy and creates more wealth.

**Invisible Hand:** 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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## **Sociologists view on markets**

1. Markets are 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.
2. Sociologists often express this idea by saying that economies are socially 'embedded'.

## **Market**

1. Weekly Market
2. Caste based markets and trading networks

## **Weekly markets / Periodic markets**

1. Periodic markets are a central feature of social and economic organisation.
2. Weekly markets bring together people from surrounding villages, who come to sell their agricultural or other produce and to buy manufactured goods and other items that are not available in their villages.
3. They attract traders from outside the local area, as well as moneylenders, entertainers, astrologers, and a host of other specialists offering their services and wares.
4. In rural India there are also specialised markets that take place at less frequent intervals, for instance, cattle markets.
5. These periodic markets link different regional and local economies together, and link them to the wider national economy and to towns and metropolitan centres.
6. The weekly market is the major institution for the exchange of goods as well as for social intercourse. For many, the primary reason to come to the market is social – to meet kin, to arrange marriages, exchange gossip, and so on.

## **Changes in the tribal market**

1. Weekly market has changed over time. After these remote areas were brought under the control of the colonial state, they were gradually incorporated into the wider regional and national economies.
2. Tribal areas were 'opened up' by building roads and 'pacifying' the local people (many of whom resisted colonial rule through their so-called 'tribal rebellions'), so that the rich forest and mineral resources of these areas could be exploited.

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3. This led to the influx of traders, moneylenders, and other non-tribal people from the plains into these areas.
  4. The local tribal economy was transformed as forest produce was sold to outsiders, and money and new kinds of goods entered the system.
  5. Tribals were also recruited as labourers to work on plantations and mines that were established under colonialism.
  6. 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. For example, the entry of traders and moneylenders from outside the local area led to the impoverishment of adivasis, many of whom lost their land to outsiders.

### **Exploitative economic relation in weekly market**

1. The weekly market as a social institution links the local tribal economy and the outside.
2. The economic relationship is exploitative between adivasis and others, as illustrated by a study of a weekly market in Bastar district.
3. This district is populated mainly by Gonds, an adivasi group. At the weekly market, you find local people, including tribals and non-tribals (mostly Hindus), as well as outsiders – mainly Hindu traders of various castes.
4. Forest officials also come to the market to conduct business with adivasis who work for the Forest Department, and the market attracts a variety of specialists selling their goods and services.
5. 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).
6. The forest produce that is brought by the adivasis is purchased by traders who carry it to towns. In the market, the buyers are mostly adivasis while the sellers are mainly caste Hindus. Adivasis earn cash from the sale of forest and agricultural produce and from wage labour, which they spend in the market mainly on low-value trinkets and jewellery, and consumption items such as manufactured cloth.

### **Significance of markets beyond its economic functions**

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- Given by anthropologist Alfred Gell the centre portion is occupied by the non-tribals,
  - Rich dikus selling semi precious stones to tribals but non-middle class, Second level-middles class, Periphery tribals and lower castes.

Even the interaction between tribals and non-tribals traders are different:

- Tribals and non tribals purely business their position in society is different so they have nothing in common except the market.

### **Exchange of items**

- Tribals are not only sellers but buyers as well.
- Common items are not available on every day basis.
- They wait for the weekly market to buy goods.

### **Caste Based markets Precolonial Period**

1. Market system was quite well developed.
2. Non-market exchange money is not directly involved and barter system (exchange of goods) was in practice.

### **Jajmani system**

- A very solid system based on heredity.

Jajmans-landlords.

Prajans-service class (goldsmith, barber, tailors).

- Jajmans paid them in kind or cash.
- The son of Prajans would serve the son of the Jajman.
- Barter system was well developed and efficient and slow.
- Pre colonial spices, cotton (handloom), jute (exported to other countries)
- India had its own manufacturing units, very good trading networks and an extensive banking system (very different from own banking system today)

### **Colonial period**

- Nakarattars (now called chettiers) from Tamil Nadu provide an interesting illustration of how these indigenous trading networks were organised and worked in colonial period.
  - Hundi-Credit note which is given to a person from a reliable source (of three communities)
1. Trust within the kins

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2. Strengthen their community, the person is given money, starts their business and repays the money
  3. Caste to become well known
- Nakarattars also went to Sri Lanka and the North-East countries.

<b>Nakarattars</b>	<b>Western Banking</b>
1. Personal	1. Impersonal
2. Based on trust	2. Based on need for collateral
3. Restricted to their own community	3. Credit is available to everyone, not much consideration to caste

### **Social Organisation of market Traditional Business communities**

- Vaishyas were the merchants, traders and the businessmen.
- When the British came, industries were set up and it led to 'industrialisation'
- The British didn't allow Indians to be the heads of the industries, but they let the merchants help them.
- After independence, the merchants took over since they were trained by the British (For example, Parsis, Bohras, Jains, Sindhis)
- The Marwaris in North areas, could be very rich or middle class or local traders.
- Everything is a business, they live very meagerly and put the rest into the business.
- meagerly, Bajaj, Dalmia
- Different communities monopolize business like salt, since they wanted only their community to prosper and to be known for a particular ownership e.g. there was more trust involved and it was hereditary e.g. screwala (business of screws)

### **Colonialism and the Emergence of New Markets**

1. The advent of colonialism in India produced major upheavals in the economy, causing disruptions in production, trade, and agriculture. A well-known example is the demise of the handloom industry due to the flooding of the market with cheap manufactured textiles from England.
2. 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.

3. 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.
4. New groups (especially the Europeans) entered into trade and business, sometimes in alliance with existing merchant communities and in some cases by forcing them out.
5. The expansion of the market economy in India provided new opportunities to some merchant communities, which were able to improve their position by re-orienting themselves to changing economic circumstances.
6. In some cases, new communities emerged to take advantage of the economic opportunities provided by colonialism, and continued to hold economic power even after Independence.

### **Understanding Capitalism as a social system**

1. • Given by Karl Marx 'the haves' i.e. the industrialists, businessmen and the 'havenots' i.e. the labourers, workers formed the social system in market.
  - He was against a capitalistic society, the 'haves' have everything in society.
  - It is the 'havenots' who work for the 'haves' and are paid wages.
  - He felt that the labourers were commodities (could pay for them).
  - Market is not only the exchange of services which is important, but because of the inter relationship among the people which is more important.
  - According to Karl Marx, the labourers are not paid as much as they should be paid.
  - There is a simple value (Profit) which is the extra value in terms of the wages paid to the labourers in proportion to the work.

#### **Commodification**

- Any item which did not have monetary value before and are now being sold in the market e.g. organs, water, finishing school, wedding planner, agents.

#### **Globalisation**

- Interlinking local economy with global economy.
- Local → regional → National → global.

Been existing since pre-colonial times but it was very limited (trade with very few countries).

- Now the amount of trade has increased to other countries and making it a global village.
- Started in 1980's but in 1991, India began interlinking economically with the global market through the policy of liberalisation (eco aspect of globalisation).
- Globalisation comes from all aspects (economic, social, Political, cultural, ecological,

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technological).

- Liberalisation is when trade barriers, tariff (tax on imports) were reduced.
- Movement of capital, people, services.
- Privatisation of PSU's

1. Call centres-Providing services to different companies all over the world due to cheap labour and infrastructure is available (India).

2. BPO-Business Process Outsourcing.

3. Outsourcing.

- When you outsource your work to another company where infrastructure, labourer is available for being a support system.
- Other aspects of a company that are important (security, aesthetic, housekeeping) to reduce the problem of formation of trade unions and avoid headaches.
- Production, distribution, sales, marketing of various products.
- Beneficial for both, company gets work done and the people become well known and then attain jobs from other greater companies.
- Nasdaq is the stock exchange in Wall Street, New York
- Virtual market
- You can buy/sell stocks using the internet.
- No use of paper currency.
- Also called electronic economy.
- Satyam was the first Indian company to register with Nasdaq.
- New York, London, Tokyo are the financial capitals.
- Pushkar Fair is the biggest casual market in India.
- Buffalo, cow, cattle are sold and bought near Ajmer, Rajasthan.
- Pushkar lake-auspicious and considered sacred, during the Karthik Purnima month of the Hindu calendar; a dip in the lake for washing away of sins and fulfilment of wishes.
- Many international tourists visit the place.
- Has a symbolic value (exchange and intermingling of culture around the world).

## **Liberalisation**

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

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so that foreign goods can be imported more easily; and allowing easier access for foreign companies to set up industries in India.

## **Marketisation**

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. Those who advocate marketisation believe that these steps will promote economic growth and prosperity because private industry is more efficient than government-owned industry.

## **Positive and negative impacts of liberalisation**

### **Positive**

1. The changes that have been made under the liberalisation programme have stimulated economic growth and opened up Indian markets to foreign companies.
2. Many foreign branded goods are now sold, which were not previously available. Increasing foreign investment is supposed to help economic growth and employment.
3. The privatisation of public companies is supposed to increase their efficiency and reduce the government's burden of running these companies.
4. Foreign investment and foreign exchange coming into the country, therefore, there is prosperity, growth and development.

### **Negative**

1. A negative net impact on India – that is, the costs and disadvantages will be more than the advantages and benefits.
2. 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 oil seeds) will lose because they cannot compete with foreign producers.
3. Indian farmers are now exposed to competition from farmers in other countries because import of agricultural products is allowed.
4. Small manufacturers have been exposed to global competition as foreign goods and



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brands have entered the market, and some have not been able to compete.

5. 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.

### **Support price**

Support prices help to ensure a minimum income for farmers because they are the prices at which the government agrees to buy agricultural commodities.

### **Subsidies**

Subsidies lower the cost of farming because the government pays part of the price charged for inputs (such as fertilisers or diesel oil).

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.