

BSOG - 176 ECONOMY AND SOCIETY



“शिक्षा मानव को बन्धनों से मुक्त करती है और आज के युग में तो यह लोकतंत्र की भावना का आधार भी है। जन्म तथा अन्य कारणों से उत्पन्न जाति एवं वर्तमान विषमताओं को दूर करते हुए मनुष्य को इन सबसे ऊपर उठाती है।”

— इन्दिरा गांधी



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“Education is a liberating force, and in our age it is also a democratising force, cutting across the barriers of caste and class, smoothing out inequalities imposed by birth and other circumstances.”

— Indira Gandhi



ECONOMY AND SOCIETY

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COURSE INTRODUCTION

The course introduces the students to the complex ways in which economic activity is embedded in social relations from a sociological view point. The course is organized under four blocks comprising thirteen Units (Chapters).

The first Block (Block I) which is titled “Sociological aspects of Economic Phenomenon” deals with the various aspects of economic phenomenon and processes. This Block has three Units. The first Unit titled “Sociological aspects of Economic Processes” discusses the inter-linkages of economy, society and culture, and the main ideas of the classical thinkers. This is followed by the Unit “Formalism and Substantivism” wherein two orientations of economic sociology are explained. The former (‘Formalism’) is based on the formal and rationality of maximizing economy, while the latter (‘Substantivism’) is oriented towards integrated economic activity that is socially institutionalized. The third Unit “Sociological aspects of Economic Processes” deals with the various processes of economic activities, the crucial role of economy in social life, and the theoretical issues of economy and society.

The second Block (Block II) titled “Forms of Exchange” discusses the various forms of socio-economic exchange that exist in society. It has two Units. The first unit “Reciprocity and Gift” describes the nature of gift-giving and receiving. The other Unit “Exchange and Money” explains the notion, pattern and function of exchange and money.

The third block (Block III) titled “Mode of Production” explains the different types of economic activities found in different societies. It has six units. The units are: “Hunting and Gathering”, “Pastoralists and Horticulturists”, “Domestic Mode of Production”, “Peasant Economy”, “Capitalism” and “Socialism”.

The last block (Block IV) which is titled “Contemporary Issues” explains the meaning and impact of issues of globalization on one hand, and the concept of social development and its experience in the Indian context on the other.

In order to help the learner to comprehend the text, the Units have been arranged thematically under successive blocks. The Units under each Block have also been structured in order to help the learner. Every Unit begins with the “Structure” of the Unit and is followed by “Objectives”, “Introduction”, main content, Summary (“Let Us Sum Up”), and “References”.

In order to make it engaging, exercises are inserted as “check your progress” wherever required. This exercise could also be useful as sample questions in examination point of view. The other important component for better comprehension of the Units is the “Further Reading” and “Glossary” which are appended at the end of the course.

BLOCK I
SOCIOLOGICAL ASPECTS OF ECONOMIC
PHENOMENON

UNIT 1: Economy, Society and Culture *

Structure

- 1.0 Objectives
- 1.1 Introduction
- 1.2 Economics and Sociology
- 1.3 Understanding the Relationship between Society, Culture and Economy
- 1.4 Classical Writings of Marx, Weber, Durkheim, Simmel Veblen and others
 - 1.4.1 Karl Marx (1818-1883)
 - 1.4.2 Marx Weber (1864-1920)
 - 1.4.3 Émile Durkheim (1858-1917)
 - 1.4.4 Georg Simmel (1858-1918)
 - 1.4.5 Thorstein Veblen (1857-1929)
 - 1.4.6 Talcott Parsons (1902-1979) and Neil Smelser (1930-2017)
- 1.5 Economic Development: Issues and Contradictions
- 1.6 The Washington Consensus
- 1.7 Let Us Sum Up
- 1.8 References
- 1.9 Specimen Answers to Check Your Progress

1.0 OBJECTIVES

After studying this unit you will be able to:

- explain the relationship between Economics and Sociology;
- discuss the links between society, culture and economy;
- describe the core ideas of classical thinkers;
- discuss economic development in terms of its issues and their contradictions and finally; and
- explain the idea of 'Washington Consensus' in the context of economic sociology.

1.1 INTRODUCTION

In this unit, we begin by introducing you to the three aspects of social, cultural and economic phenomena and helping you to understand social changes and the insights of classical thinkers and other sociologists. It also familiarises how economic development is taking place in societies and what are the issues concerned. We also discuss the continuities in the process of economic as well as the development changes, the nature of social change occurring in society from the times described by the classical thinkers to the period in the nineteen nineties (1990's) when a shift took place called the Washington Consensus in economic development.

1.2 ECONOMICS AND SOCIOLOGY

The relationship between Economics and Sociology involves cooperation and complementarity, rather than competition and substitution, as many scholars of social sciences assume. Often purely economic analysis need to be supplemented

* The Unit has been written by Dr. Suraj Beri, University of Delhi, Delhi.

by a sociological perspective on economic phenomena. Even some neoclassical economists (such as Pareto) warn that analysis of many economic phenomena remains incomplete without using sociological insights. Many of the classic sociologists of early nineteenth century were concerned about the changing economic and social worlds around them. Even though sociology did not have proper specializations then, their concerns and questions were focused. Capitalism, industrialization, urbanization, and rapid technical development along with different forms of collective actions were major aspects of the changing order and sociologists' worries. For instance, Karl Marx argues that the economy is an important aspect of social change and reproduction. More clearly, society is fundamentally organized around the economy (i.e. the 'base' to use the term used by Karl Marx) and structure of the social classes depends upon the specific mode of production. While Max Weber also studied the relationship between economic structures and social actions, he preferred to analyze the role cultural factors play in shaping the nature of economies. It led him to stress the relevance of 'protestant ethic' in the emergence of 'spirit of capitalism' in the modern Western world. Similarly, Emile Durkheim also ventured to study the relationship between social facts and collective conscience of the society. Durkheim was also interested to understand the specific dynamics of division of labour in modern societies and how the division of labour explain the formation of groups and solidarities. He notes that with the growth of modern technology, societies become further differentiated and different forms of social cohesion emerge. These classic analyses of economy and society are the foundations for economic sociology. Social theorists invented several categories like tradition-modern, status-contract etc. to capture the social upheaval with the coming of industrial and commercial revolutions. Classical political economy and economic sociology combines the Marxian approach of political economy and class analysis with Weber's institutional emphasis to explain the development of specific mode of the economy. Similarly, Durkheim's concept of structure helps to develop a structural approach to study the market behavior and strategies of firms etc. The later day writers like Parsons and Polanyi have been instrumental in laying the field of economic sociology as a proper specialized field of inquiry. In the nineteenth century, economists were primarily concerned with developing mathematical models, quantitative analysis of the fundamental assumptions of market and its functioning. Sociologists on the other hand were more interested in explaining the market behavior and practices as a form of social action influenced by several structural factors. With the social transformations, many of the assumptions of classical political economy as well as modernization theory have been challenged and it has led to the reformation in the theories of economy and society.

Check Your Progress 1

- 1) Discuss the ideas of one of the classical sociologists on economics. Use about five lines.

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1.3 UNDERSTANDING THE RELATION BETWEEN SOCIETY, CULTURE AND ECONOMY

Economic sociology as we know is not only a specialized paradigm to understand human actor situated in his/her social context but also to critically respond to the taken for granted assumptions of neoclassical economic theory. Economic sociology involves a body of study and research aimed at establishing the links between economic and social phenomena. Classical economic theory inspired by Adam Smith, worked on assumptions considered as given i.e. stability of human nature and behavior. Similarly, it also assumed that individuals are rational actors and what they buy in the market is based on the utility functions of that product. Sociologists then respond to these assumptions by arguing that there are social and cultural contexts within which individuals act and therefore their actions constitute a social action which can differ in different cultures. But, it does not mean that individual actions cannot be compared. Max Weber for instance says that any social action can be influenced by primarily three social ways: tradition, affect, and rational-legal (Weber, 1978). Pierre Bourdieu would argue by saying that individual taste is not just a reflection of moral aesthetics as Kant predicts, rather the taste is grounded substantially in the locations of social class (Bourdieu, 1984).

Box 1.0 TRADITIONAL URBAN ECONOMY

Ancient Period

Urban economy has been an integral part of Indian economy since ages. The earliest Indian civilisation i.e. the Indus Valley Civilisation (c.2600-1500 BC) is known as a well-developed urban civilisation which had a broad rural agrarian base. Archaeological excavations have revealed that many cities and towns flourished in the Indus valley, e.g. Harappa and Mohenjodaro (now in Pakistan), Lothal, Kalibangan, Banwali (in India). But the onset of the Rigvedic phase (c. 1500-1000 BC) marks a complete break with the earlier urban civilisation. The Rigvedic people lived a semi-nomadic and pastoral life. Gradually, they settled in villages and agriculture became their main occupation during the later Vedic-Period (c. 1000-600 BC). We hear of sixty towns in the contemporary literature, including the famous ones such as Rajagriha, Pataliputra, Sravasti, Kausambi, Varanasi etc. Towns and cities continued to prosper during the Maurya and post-Maurya phase and even under the Gupta dynasty. But the country had to undergo a process of urban decay in the post-Gupta period. This trend got reversed only from the ninth century onwards. Let us now look at certain aspects of the urban economy during this period, relating to trade and commerce, arts and crafts, guild system and social classes.

i) Trade and Commerce

As we know non-agricultural occupations are the predominant feature of urban economy. Trade and commerce are important activities. Evidences of both external and internal trade in the ancient period are found in the contemporary literature and archaeological remains. Trade and commerce witnessed both the periods of prosperity and decline. Same was the case with regard to towns and cities in ancient India. Internal trade was carried on by merchants

in urban manufactures and food-grains. The use of metallic coins since the age of Buddha promoted economic transactions. India's network of external trade covered distant lands, e.g., Rome, Arabia, Persia, China and south-east Asia. Luxury goods were the main items of foreign trade. They comprised the products of crafts such as fine handicraft Urban Economy goods, ivory objects, pots etc. Foreign trade was in favour of India. The Roman writer Pliny was forced to lament that Rome was being drained of gold on account of her trade with India (Sharma 1983: 144).

ii) Arts and Crafts

Another important aspect of the ancient urban economy was the practice of various arts and crafts in which a large number of people were engaged. This included woodworkers, smiths, leather-workers, potters, ivory workers, weavers, painters etc. These craftsmen were socially organised into various castes. Elders trained the younger members in hereditary caste occupations.

iii) Guild System

A remarkable feature of the organisation of urban economy was the prevalence of the guild system (sreni). As against the jajmani system in the rural economy urban craftsmen and traders had formed craft and trade guilds. Members of a particular guild belonged to the same craft or trade. There were guilds of potters, smiths, weavers, ivory etc. These guilds played a very important role in organising production and in shaping public opinion (Thapar 1976:109). The vast majority of artisans joined guilds because these bodies provided them security from competition as well as social status. The guilds fixed rules of work and the quality of the finished product and its price to safeguard both the artisan and the customer. They also controlled the prices of manufactured products.

1.4 CLASSICAL WRITINGS OF MARX, WEBER, DURKHEIM, SIMMEL AND OTHERS

Accordingly, there are various traditions of explaining the dynamics of economy and social life in sociology. The early approaches of economic sociology can be classified broadly in three types. The first approach, following Marx's dialectical method of understanding the modes of production, explains the larger social structural dynamics of relations formed around material life, division of classes, the production of rent and profit, economic differentiation and the impact of capitalist structure on socio-cultural realm. It significantly accommodates Weber's stress on the study of organizations. It therefore analyzes the interaction between organizations and social actors like state, social classes e.g. difference between industrial interests and agrarian interests etc. The second approach of economic sociology focuses on the role of networks in the economy. Inspired by elite studies, this approach analyzes the elite relations with each other and their access and monopoly over the social resources. How do several economic elites form alliance with social and political leaders; how does this alliance shape national policies and business deals etc. A third way to study the economic life is institutional approach. Inspired primarily by Durkheim, the practitioners of this persuasion study the beliefs, social myths, ideologies, and social construction of economies via this method. Economic sociology has been quite slow in attaining its own identity as a separate sub-discipline in sociology.

1.4.1 Karl Marx (1818 – 1883)

We can now turn to the intellectual writings of economic sociology. Marx provides the central question of economic sociology. According to him, labour is the most important existential condition of human society and all other activities are organized around this. In his classic text, *Capital*, Marx has criticized the classical economists for their inability to adequately describe the conflict between capitalists and workers characteristic of capitalist economies. Marx chose to emphasize the existence of the social constraints intrinsic to the basic institutions of capitalist economies. In other words, he focused on the question of ownership in the means of production, and waged labor, as mechanisms regulating the production of goods and the distribution of incomes. Marx set out a dialectic vision, influenced by German philosopher Hegel to explain the class formation and social transformation. Capitalism would generate a growing polarization between the social classes and this would lead to a progressive intensification of conflict, which in turn would lead to the overthrow of old forms of economic organization. His pessimistic prognosis regarding the ability of capitalist economies to continue producing and distributing wealth results in large part from his emphasis on the exploitation of the working class as the driving force behind the economy through the creation of surplus value and profit. In *Capital* (1867–94), Marx developed the presuppositions lying behind his criticisms of political economy. In a capitalist economy based on the private ownership of the means of production, goods cannot be produced if there is no profit for the holders of capital. But where does profit come from? When an individual worker is used in the productive process, he creates added value over what is necessary to pay his wages. This difference constitutes a surplus of labor that forms the source of surplus value, and this becomes the source of profit. However, in a competitive situation, the individual capitalist entrepreneurs have an interest in (& are forced to) introduce new machines, thereby increasing fixed capital at the expense of labor. In this way, they reduce the cost of labor and enjoy greater profits until other capitalists are pushed into introducing the same innovations. This, however, has two main consequences: First, it leads to unemployment and worsens the living conditions of the working class; second, it leads to a tendency for the rate of profit to fall, reducing the stimulus to production. Profit, in Marx's view, depends only on the exploitation of labor. In addition, in his works of historical analysis (*The Class Struggles in France*, 1850 and *The Eighteenth Brumaire of Louis Bonapart*, 1852), Marx demonstrated the growing differentiations in the class structure and the autonomous influence of culture and politics on the consciousness and action of the social classes. He also believed, after the legacy of the classical economists, that the mechanisms of the competitive market would inevitably lead to the spread of the capitalist mode of production, reducing differences between countries.

1.4.2 Max Weber (1864 – 1920)

Weber's research during the first half of the 1890s raised important theoretical questions about economic sociology, as well as drawing attention to the crucial role that must be attributed to non-economic cultural and institutional conditions in understanding economic behavior. His work *The Protestant Ethic and the Spirit of Capitalism* is conventionally treated as the basic statement of his theory of the origin of modern capitalism. In this work, he asked the simple question, why did capitalism emerge where it did? Weber claimed that many of the economists of that time misunderstood the social and cultural context

within which capitalism had originated. He investigated the cultural values of many civilizations and identified that protestant ethic inspired by Calvinism had played a crucial role in the formation of capitalist ideas. According to him, the doctrine of predestination had primed many people to read the sign of 'being chosen' in terms of their material prosperity. Further, many people started seeing their work life as a major symbol of their destiny. Following the Calvinistic principles of hard work, investment and saving, people started forming their own criteria of 'success' and devised ways to become the 'chosen ones'. For instance, those who worked hard, are pious, honest are usually seen as recipients of God's favour. Consequently, work became a calling and being frugal raised the financial status of individuals. However, the spirit of capitalism did not only involve the search for profit as an ethical duty, but also a commitment to the productive use of capital and a condemnation of luxury goods and pleasures. Thus, Weber argues that this logic became the bedrock of the emergence of capitalism. The interesting argument about Weber's thesis is that it weaves the historical complexity of cultural context of Europe and the structural development of capitalist enterprise. He suggested that entrepreneurial activity should not be seen as a constant, but as a variable that depended on the institutional context in which actors found themselves. He consequently believed that an appropriate institutional framework was necessary for the sphere of production, as well as for labor and finance. It was only if these settings could support the growth of entrepreneurship that economic development could be generated. Weber's discovery of entrepreneurship in the course of his research on German society pushed him to consider the macro-sociological problems of the origins of capitalism and its territorial development, which would occupy him for many years to come. Weber contributed his class formula to economic sociology as well. His idea of rubbing the 'ideal types' against the empirical realities to produce the actual experiences is one of the most salient features of his version of doing sociology.

1.4.3 Emile Durkheim (1858 – 1917)

Durkheim maintained that the economic factor depends on social phenomena, because it is embedded in social institutions, norms, and values i.e. the social embeddedness principle. Such ideas have significantly influenced segments of economic theory and research to the point that some modern economic sociologists regard him as the 'father of economic sociology'. Durkheim and Weber both made unsuccessful efforts to mobilize scholarship for economic sociology. He criticized economists outrightly unlike Weber, for their tendency to isolate everything from what they consider 'social' aspects. Durkheim studied the emergence of industrial societies and aimed to provide sociological explanations of transformation in community lives. True to his sociologism i.e. 'society' as sui generis thing, he analyzed the changes in what he calls 'social density'. In his classic text, *The Division of Labour in Society* (1893), Durkheim claimed that with the advancement in technology and formation of towns, several groups of people came together with profound consequences. This also brought change in the way they socialize with others. People started developing specific skills, as it was no longer possible to do all kinds of tasks unlike pre-industrial period. With the processes of industrialization and urbanization, people became occupied in particular kinds of tasks and it simultaneously increased their interdependence on each other. Thus we find increase in social differentiation which led to the emergence of the 'organic solidarity' in modern society. The broader shift was consequential for society as new forms of division of labour emerged and social fabric became even more complex.

In this way, Durkheim also provided a critique of utilitarian economists who were harping on rational action as the general nature of human society. Modern industrial society also underwent shift in terms of their laws. It required flexible punishments such as fines, called the restitutive laws instead of repressive laws of earlier times. Society experienced more individualism in terms of consumption, thinking, values etc. His first important contribution was that he therefore criticized economists' theory of action, and formulated an institutional theory. From the substantive point of view, his most important point was that the organization of economic activities in modern societies were socially destabilizing because of "abnormal forms" of the division of labor. After this, however, he widened his intellectual interests to new subjects. The actual economic behavior of individuals was influenced by moral norms and rules that altered as society changed. These institutional factors affected economic development and were in turn affected by them. According to the traditional explanation, widespread among economists, the division of labor came about because of individual actions, because it would increase the advantages enjoyed by them. Durkheim found this argument untenable because single individuals could not easily predict or understand the advantages of greater productivity and well-being. According to Durkheim, the reasons for the division of labor have to be sought in a different, social source. Variations in the social morphology and the nature of social relations are crucial sites for it. These reflected in forms of solidarity, and shared moral norms linking people with each other and regulating their relationships.

1.4.4 Georg Simmel (1858-1918)

Simmel writes in his *The Philosophy of Money* (1900) that money is one of the major institutions in contemporary capitalist society. For Simmel, however, its crucial importance lay in the fact that it played a wide and profound role in the relations between people in modern society. In order to clarify the origins and consequences of the use of money, or of the money economy, it was essential to understand modern society. However, one could say instead that capitalism, for Simmel, was a specific economic system for the production and distribution of goods that was consequent on the monetary economy, and so he took it for granted and paid attention to the institutional prerequisites of capitalism. They agreed on the social consequences of the money economy, such as the increasing depersonalization and rationalization of social relations and life paths. According to Simmel, capitalism is an economic system that presupposed the private accumulation of capital. This, in turn, required that money be used in a more widespread way as an instrument of exchange, leading to a widening of the circle of actors involved in the money economy. However, in order for money to be a driving force for economic activities, one basic non-economic condition had to be present – a growing trust in the capacity of money to be converted at any time into concrete goods. The accumulation of capital thus presupposed an accumulation in trust and this cultural condition was, in its turn, supported by institutional factors: the legitimization and efficacy of political power and the guarantees provided by the legal order. In this sense, money became a public institution. Simmel also underlined that the money economy was a powerful factor in the dissolution of the natural economy based on production for self-consumption. Thus, it promoted the formation of a centralized state, which would carry out the fundamental function of controlling money. The modern state could thus also grow through the developing of taxation, which allowed the bureaucracy and military to be maintained, subject to a central power. These

instruments would contribute, in turn, to the weakening of the old feudal system and the strengthening of the money economy, guaranteeing the developing of exchanges. Simmel's prevailing interest was to examine the consequences of the money economy for social relations and ways of life. He highlighted the ambivalence of these effects, discussing both their positive and negative aspects. Thus, money favored the growth of individual liberty, because it made social relationships in the spheres of exchange and production interchangeable. In production, it was possible to choose among various suppliers, which depersonalized relations between buyers and sellers, and made both more independent. Moreover, there was not only greater freedom in the choice of economic partners, but also greater choice of objects, breaking the ritualism and fixity of traditional forms of consumption. As a result, there was an increased freedom with regard to objects too. This change was also felt in the sphere of production, where the dependence of the serf on his lord, or of the apprentice on his master in a medieval guild gave way to a specific and explicit labour contract. These depersonalized relationships are product of the formation of money as public institution.

Activity 1

Interview at least five friends on the Significance of money; its social, economic, political and cultural value in their lives.

1.4.5 Thorstein Veblen (1857–1929)

Veblen was interested to redesign economic analysis on an institutional basis, drawing on the evolutionary perspective. It is in this sense that his institutional economics is comparable with the model developed by Durkheim, even if it has a different social and cultural context. Veblen contributed to a non-individualistic theory of economic action, and he focused on a problem of historical–empirical research that was not dealt with by economics – the social effects of liberal market-based capitalism. He presented the essential elements of his critique focusing on three problem-areas. These are: (i) First, there was the individualistic conception of human nature embodied in the theory of economic action. (ii) Second, was the static nature of traditional economic analysis, that is, its focus on equilibrium rather than change. (iii) Finally, came the link between the pursuit of individual interest and collective well-being. were guided by values and norms which they absorbed from the society in which they lived. Historical change depended on transformations both in institutions and individual behavior. Traditional economic theory could not properly grasp this variability in action, since it treated individual preferences and the state of knowledge and technology as something given. Veblen underlined the static and ahistorical nature of neoclassical economics. For him, the traditional approach was tied to an idea of equilibrium, to a search for mechanisms that stabilized the economy, which was influenced by the physical sciences and in particular by mechanics. One consequence of Veblen's theory of change was the possible co-existence of societies in which the relation between technology and institutions was different. Veblen did not believe in a process of inevitable institutional convergence, pulled in the wake of technology, which would lead to the establishment of a unique institutional model that could respond more efficiently to the problems of adaptation posed by the economic and social environment. In his best-known book *The Theory of the Leisure Class* (1899), Veblen discusses the cultural aspects of the consumption practices. The desire

to increase consumption of material goods, according to him, did not in itself provide a sufficient incentive for people to engage in economic activity. In modern society, in which the economy was organized on the basis of private ownership and the market, the possibility to consume more was sought by individuals because it was a source of prestige and social honor. Conspicuous consumption replaced courage and valor in war, which had been signs of social distinction in a previous era.

1.4.6 Talcott Parsons (1902 – 1979) and Neil Smelser (1930 -)

In one of his first written pieces on the relationship between economics and sociology, Talcott Parsons discussed the scientific status of economics according to the formulation of an influential neo-classical economist, Lionel Robbins (Parsons 1934). Parsons' main argument was that sociology, the analysis of the institutions of economic life, should be a complement to rather than a substitute for mainstream economy. According to Parsons, the solution to the classic Hobbesian problem of social order is not so much the capacity of political power to control individual interests, nor of supposing a natural and spontaneous integration of the ends, but the existence of a set of shared goals – of common values that orient action. Henceforth, economic laws differ radically from physical ones; they are ‘an abstraction, a formulation of only part of the forces at work in concrete reality’ (Parsons 1934). In other words, economic laws are normative, indicating the criteria of rational action under certain conditions. Their empirical validity depends, however, on whether actors effectively behave according to these criteria to satisfy their ends. This, according to Parsons, is extremely unlikely in reality.

Parsons was most critical of Thorstein Veblen's institutional economics. Parsons mentions two objections against institutional economics. In the first place, his dissatisfaction concerned the alleged anti-theoretical nature of institutional economics – in the name of a generalized radical empiricism, it denied the legitimacy of the analytical abstraction (Parsons, 1976: 178). Secondly, Parsons objected to its emphasis on technology as the institution par excellence, and its neglect of the cultural-normative factors in the larger picture, which transcended the economic perspective (Parsons, 1976: 179). The most important limit, in his view, was the exclusion of the actor's goals. It excludes the investigation of ends, which leads irrevocably to an atomistic individualism – that is, one presupposes that individuals define their ends independently of their mutual interaction. It is at this point that a serious problem emerges – there is no reason for thinking that final ends of the individuals merge together. If there are no factors at work introducing elements of coherence, coordination and integration between the goals of various individuals, society risks becoming a mere chaos of conflicting and competing individuals.

In *Economy and Society* (1956) Parsons and Smelser suggested that both sociology and economics can be understood as part of the general theory of social systems. The economy is a subsystem, which interchanges with the other three subsystems (the polity, the integrative subsystem, and the cultural-motivational subsystem). The concept of a subsystem is reminiscent of Weber's notion of sphere, but while the latter refers only to values, the economic subsystem also has an adaptive function as well as a distinct institutional structure. It may finally be mentioned that *Economy and Society* got a negative reception by economists and failed to ignite an interest in economic sociology among sociologists. Smelser's attempt to consolidate economic sociology in the next

decade helped fix economic sociology as a subfield in the minds of scholars and in the curriculum of colleges and universities, but could not spawn distinct new agendas of research. Smelser defines economic sociology as the application of the frames of reference, variables, and explanatory models of sociology to that complex of activities concerned with the production, distribution, exchange, and consumption of scarce goods and services. The economic sociologist asks two types of questions. The first is microscopic, and concerns economic activities as such. The economic sociologist asks how these activities are structured into roles and collectivities, by what values they are legitimized, and by what norms and sanctions they are regulated. Within economic organizations, such as the firm, Smelser studies the status system, power and authority relations, deviance, and cliques and coalitions as these affect the economic activities of the firm. The second type of question is macroscopic, and concerns the relations between sociological variables as they manifest themselves in economic contexts and sociological variables as they manifest themselves in non-economic contexts. For example, what sorts of political conflict are generated by the economic arrangements in different societies; and what kinds of class systems emerge in different kinds of economic systems.

Check Your Progress 2

1. What did Simmel think about money economy? Use five lines.

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2. How did Smelser define economic sociology? Discuss in five lines.

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1.5 ECONOMIC DEVELOPMENT: ISSUES AND CONTRADICTIONS

‘Modernization Theory’ emerged in western world, started its domination over the academic and policy circles from 1950s onwards. Its main tenets were as movement of societies from a traditional stage to an industrial, developed phase, which includes high rates of economic growth, trade, and foreign investment, and emulates the policies of western countries. Within this framework, economists developed formal models stressing capital accumulation, savings, changes in technology, industrialization, and directed state activity as major threads. Other disciplines selected their favored themes - sociologists and anthropologists focused on traditional cultural and structural obstacles to development, as well as typical institutional changes (in stratification systems, kinship, community, and religion) that accompany development. Political scientists were interested

in the movement from tribal, communal, and local political systems toward the complex of parties, interest groups, and modern political institutions.

Box 1.1 Organised and Unorganised Sectors

Indian urban economy has been seen as dual in nature comprising organised or formal sector and unorganised or informal sector. The organised sector possesses some or all of such characteristics as large-scale operation in terms of capital and labour, wage labour, advanced and modern technology, public and private ownership are found in the organised sector. Regulated and protected markets for labour and output, formal nature of employment and the requirement of formal educational qualification or training in skill for its workers are also some of the other features. On the other hand the unorganised sector enterprises feature small-scale of operation in terms of capital and labour, private or family ownership, labour intensive, backward technology, unregulated market, unprotected labour and easy to start due to usually no need of licence or registration (Satya Raju 1989: 12-13; Aziz 1984: 6-8).

Dependency theory and World System theory emerged as a critique of this paradigm. The compelling power of the modernization paradigm was already weakening in the 1960s. Its fundamental approach was criticized as imperialistic, west-centric and degrading to the cultures of other societies. Scholars challenged the idea that traditional societies are static and that traditions disappear with modernization. Economic historians and others criticized the idea of convergence and identified different paths to industrialization. The most fundamental attack came from Latin American and later African scholars. As early as the 1950s, some complained that the modernization paradigm ignored the international dimension, in particular the dominance of “core” (developed) over “peripheral” countries (Prebisch, 1950). This impulse grew in strength and within a decade had crystallized into a theoretical framework known as dependency theory, stressing that the decisive factors were international and that the dominance of international capital not only crippled development, but also distorted internal relations in less-developed countries.

Dependency theorists emphasized import substitution and competitive industrialization as the favored developmental strategies among efforts to break out of dependency. Radical and less radical versions of dependency theory appeared, and a cousin, world systems theory (Wallerstein, 1974), emphasized similar mechanisms of international political and economic dominance. These theoretical statements echoed the earlier writings of Marx and Lenin on imperialism and struck sympathetic notes with the disaffected in the late 1960s and 1970s. Dependency theory also fell on hard times because of scholars’ criticisms of its diagnoses, because of the apparent limitations of its strategies of intervention, and because of the dramatic “Asian miracle” in which South Korea, Taiwan, Singapore, and Hong Kong scored a dramatic developmental gain. The idea of the developmental state achieved prominence in developing countries, describing the partnership among business, finance, and government in these success stories.

1.6 THE WASHINGTON CONSENSUS

The early 1980s witnessed a counter-revolution in developmental economics as part of a general resurgence of economic orthodoxy. This was commonly known as the ‘Washington Consensus’, a term coined by John Williamson of the Institute

for International Economics and adopted by the World Bank and International Monetary Fund (IMF). It was informed by the economic writings of Friedrich Hayek and Milton Friedman and the philosophies of the Margaret Thatcher and Ronald Reagan administrations, and by lessons learned from the debt crisis of the early 1980s. The consensus generated a recipe of measures to be applied to debtor Third World countries: fiscal discipline reduced public expenditures, tax reforms to improve incentives, market-determined interest rates, competitive exchange rates, trade liberalization, privatization, deregulation, and protection of property rights. This triumph of neoliberalism coincided with a growing disaffection with or disregard of Marxist ideas and communist-socialist political systems. This developed first in Eastern Europe, then in Western Europe, then in the United States. The collapse of these systems in 1989–90 merely accelerated the impetus, since the only serious competitor to western capitalism had now disappeared, and western economists and policy-makers rushed in to these areas to encourage capitalist development. At this time, a new usage of globalization also appeared, connoting that capitalism could now command the entire globe without ideological or political challenge (Kurth, 2001). The fundamental ideas of faith underlying the Washington Consensus were that neoclassical economic theory was applicable to all economies and needed no significant alterations or new postulates. A corresponding reliance on rationality, incentives, deregulation, and privatization; and an anti-state conviction that markets can work perfectly without any interference. Economic policies accompanying neoliberalism fell under the category of Structural Adjustment Policies (SAP), an invention of the IMF that meant imposing conditions on debtor countries that would help guarantee loan repayments. SAP arrived in India during 1990's when India was going through the debt crisis and drying of foreign currency reserves. These programs aimed to cut government expenditures, reduce the extent of state intervention in the economy, and liberalize trade. In practice, many of these policies were punitive, involving wage freezes, devaluation of currency, and also bringing in labour laws which immobilize the labour unions and any attempt to collectivize the working classes.

Check Your Progress 3

1. What do you understand by the term “Washington Consensus”? Use about five lines.

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1.7 LET US SUM UP

In this unit, we have provided a brief account of the development of economic sociology as a sub-discipline of sociology. In the formative years of economic sociology, it remained focused on the production of sociological response to the limitations of economic theories with Marx, Weber, Durkheim, Simmel, and Veblen as key theorists. However, the economic life has been approached from the standpoint of the social framework in which they exist, as distinct from their pure treatment in economics. Moreover, these phenomena have been not just leftovers but are essential in itself. The substantiality of the difference

in their epistemological focus becomes clear with the popular quote of James S. Duesenberry, when he remarks, ‘while economics is all about how people make choices, sociology is all about why they don’t have any choices to make’. This state of affairs has been made clear by the classical theoretical debates within both the disciplines that is, both economics and sociology. In spite of the efforts of these classical theorists, economic sociology had to wait for 1950’s to expand in the new directions with empirical focus instead of just complement the economics, sociologists now are bold enough to trespass the border of economics and raise critical questions on the economists’ domain.

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1.9 SPECIMEN ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress 1

1. Émile Durkheim one of the classical thinkers studies ‘social facts’ and ‘collective conscience’ their relation with each other. He was interested in the division of labour in modern societies and its dynamics in terms of social solidarity and evolution from simple to complex societies.

Check Your Progress 2

1. Simmel in his book, *The Philosophy of Money* (1900) believed that money is one of the major institutions in contemporary capitalist society. It plays a profound role in the lives of people in modern societies. In societies the institution of money enabled people to accumulate; to invest and exchange in a situation of trust and stability across cultures in an institutionalized manners. Thus, it becomes a public institution.

2. Smeber defined economic sociology as the frame of reference, variables and explanatory models of sociology to that complex of activities which deal with the process of production distribution, exchange and consumption of scares goods and services in society.

Check Your Progress 3

1. ‘Washington Consensus’ means the resurgence of counter-revolution during the early 1980’s in developmental economics. It was a term coined by John Williamson from the Institute for International Economy which was adopted by the World Bank and the International Monetary Fund (IMF).

UNIT 2: APPROACHES: FORMALISM AND SUBSTANTIVISM *

Structure

- 2.0 Objectives
- 2.1 Introduction
- 2.2 Economic Anthropology/Sociology: The Schools of Thought
 - 2.2.1 Formalism
 - 2.2.1.1 Pre-Industrial and Industrial Economics
 - 2.2.1.2 Karl Polanyi and Self-Regulating Market
 - 2.2.2 Substantivism
 - 2.2.2.1 Embeddedness and Substantive Economy
 - 2.2.2.2 Reciprocity, Redistribution and Exchange
- 2.3 Danadharma in India: A Case Study of Gift Exchange
 - 2.3.1 A Critique of Gift Exchange
- 2.4 Let Us Sum Up
- 2.5 References
- 2.6 Specimen Answers to Check Your Progress

2.0 OBJECTIVES

After studying this unit you will be able to:

- describe the meaning and nature of economic and sociology;
- explain the meaning of two different schools of thought of formalism and substantivism;
- focus on the core ideas of formal modern economy and its proponents;
- discuss the core ideas of the substantivist scholars, such as, Karl Polanyi; and
- critique the theory of “gift exchange” given by Marcel Mauss.

2.1 INTRODUCTION

This unit introduces you to the myth of the universality and naturalness of capitalist system. There has been a debate on this within both the disciples of Economic Anthropology and Sociology. This Unit will introduce you to that debate which was initiated under the ‘Formalist and Substantivist’ schools of thought.

2.2 ECONOMIC ANTHROPOLOGY/SOCIOLOGY: THE SCHOOLS OF THOUGHT

‘Formalism’ and ‘Substantivism’ refers to the two schools of thought in Economic Anthropology which was split into these two groups since mid-1950s. The distinction between ‘formal’ and ‘substantive’ economy was propounded by Hungarian Economic Historian Karl Polanyi. Drawing on the work of German Sociologist Max Weber who distinguishes between formal and substantive rationality, Karl Polanyi argued that economy can be defined in two terms – formal and substantive. This differentiation led to the formation of two schools of

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thought in Economic Anthropology and Sociology i.e. substantivist and formalist approaches based on two methodological disputes. Formalism is based on a deductive and logical mode of thinking, whereas substantivism is descriptive and built on experience. Formalist orientation is based on the idea of economic rationality of maximising individuals whereas substantivists, including Karl Polanyi, argue that economy is embedded in social-cultural contexts. Polanyi's ideas led to the birth of a new school of thinking in economic anthropology called 'substantivist' orientation, whose prominent members include Paul Bohannan, Pedro Carrasco, Louis Dumont, Timothy Earle, Maurice Godelier, Claude Meillassoux, John Murra, Marshall Sahlins, Rhoda Halperin, Eric Wolf and George Dalton. In the following sections we will discuss the meanings of formal and substantive economies in detail.

2.2.1 Formalism

Formalism is associated with the principles of capitalist economy which stands remarkably different from the pre-capitalist economies. It also means that the principles of capitalist economy are seen as universal, thereby subordinating the non-industrial economies to the principles of market economy. Formalists argue that the formal rules of neoclassical economic theory derived mainly from the study of capitalist market societies can be used to explain the nature and dynamics of non-capitalist economies. For instance one of the Formalists Melville Herskovits, an American Anthropologist, in his book *The Economic Life of Primitive People* endorsed this position. He said that scarcity and maximising behavior is a universal character. The same means are applied everywhere to achieve different ends. We will be discussing about this formalist characteristic in the following pages.

2.2.1.1 Pre-Industrial and Industrial Economies

Karl Polanyi in his seminal book *The Great Transformation* has described the genesis of such theoretical paradigms in the great transformation of European civilization from preindustrial world to the era of industrialization. Industrial revolution signifies a remarkable change in the methods of production and shifts in ideas, ideologies, and social and economic policies accompanying it. In *Great Transformation* he analysed the consequences of market capitalism in England during early nineteenth century and rest of the industrialising world. According to him market capitalism commodified and commercialised all goods and services in terms of a single standard of money whereas in pre-capitalist economy it was neither monetised nor commoditised but submerged in social relationships. It does not mean that pre-capitalist economies did not have markets. Many pre-capitalist economies had market places but they were not governed by the rules of 'self-regulating market' relying on the forces of 'supply-and-demand'. Along with commoditising the goods, market capitalism also commoditised the labour. In Polanyi's view, capitalism has elevated profits and the market over society and human values, turning everything (land and labour) into commodity to be brought and sold. For him market economy is "an economic system controlled, regulated and directed by markets alone" and is built upon the 'fictitious commodification' of land labour and money. In market economy society is subordinated to the laws of the market. He thought that economics developed along with market capitalism is its servant and is merely a part of the system that helps keep capitalism going by making it seem natural. Polanyi went further back in time to look at earlier empires to try to understand other ways, besides market capitalism.

2.2.1.2 Karl Polanyi and Self-Regulating Market

He argues the industrial revolution in the nineteenth century has produced thinkers who have developed the theory of market liberalism with its core belief in the idea that all economies should be subordinated to self-regulating markets. For instance Adam Smith who is considered the father of classical political economy propounded that the forces of demand and supply will work as invisible hand in regulating the markets. As a part of the England's leading role as 'workshop of the world', the beliefs of self-regulating market or free market became the organizing principle for the world economy. Polanyi rejected the central theses of self-regulating markets. He argued that self-regulating market is a myth as it is full of deficiencies in its internal working as well as its consequences making government interventions necessary. For him the ideology of free market or self-regulating market is of particular interest to capitalists. Hence the free market ideology is clearly the handmaiden for capitalism. This way he breaks the myth of self-regulating market which is the central thesis of formal economies.

Box 2.0

Do you know that the Great Depression of 1930s that originated in United States after the stock market crash in 1929 completely demolished the myth of *laissez faire* (free market) economy? The US government was forced to intervene. Franklin Roosevelt who was the President of US from 1933 to 1945 came out with massive spending by government to revive the economy. In one of his speeches in 1932 he made interesting comments on the myth of self-regulating market economy. He said, "the same man who tells you that he does not want to see the government interfere in business-and he means it, and has plenty of good reasons for saying so-is the first to go to Washington and ask the government for a prohibitory tariff on his product. When things get just bad enough-as they did two years ago-he will go with equal speed to the United States government and ask for a loan; and the Reconstruction Finance Corporation is the outcome of it. Each group has sought protection from the government for its own special interest, without realizing that the function of government must be to favor no small group at the expense of its duty to protect the rights of personal freedom and of private property of all its citizens."

This proves that contrary to the creed of classical political economy propagating, *laissez-faire* economy is actually a product of deliberate social action as Polanyi writes, "Laissez faire was planned, planning was not." (Polanyi, K. (1957) *The Great Transformation - the political and economic origins of our time*, Beacon Press, Boston: 141.)

Formal economy or capitalist economy that is entrusted to the self-regulating mechanism propagates the idea that human beings behave in such a way as to achieve maximum gains in terms of money. This has been theorised as means-end relationship that relies on the idea of choice between scarce means in relation to preferred ends. The rules governing choice of means are called the logic of rational action which denote another core aspect of formal economics. Rational action in formal economy is defined as choice of means in relation to ends. Means are anything appropriate to serve the end, whether by virtue of the laws of nature or by virtue of the laws of the game. "Such formal meaning of economy deriving from the logical character of the means-ends relationship is apparent in words like 'economical' or 'economizing'. It refers to definite situation of choice, namely, that between the different uses of means induced by

an insufficiency of those means. For Polanyi choice does not always presuppose a scarcity.” (Polanyi 1977 p.25) In fact human societies have shown tendencies of harder choices in abundance of sources as Polanyi writes, “if means are less ‘scarce’, the more and harder choices we are forced to make. (Ibid; 1977)

According to Polanyi, it is impossible to understand human society, the economy and human history from the formal perspective of neo-classical economy. Because “to narrow the sphere of the genus economic specifically to market phenomena is to eliminate the greatest part of man’s history from the scene” (Polanyi 1977 p. 6).

Box 2.1

The Substantivist school of economic anthropology (its chief exponent was Polanyi’s student, George Dalton) was basically empirical in orientation.. One takes a given society, looks at how things are distributed, and tries to understand the principles. The main result was a list of new forms of exchange and distribution, all of which did not seem to operate on principles of economic maximization, to add to the gift economies with which anthropologists were already familiar. These included the notion of redistributive economies, the phenomena of ports of trade (neutral enclaves in which merchants of different countries could do business according to pre-established exchange rates.(p.11)

The Substantivist challenge was met by a counter-offensive by self-proclaimed Formalists. Formalists claimed that Polanyi had misunderstood what economics was actually about. It did not depend on the presence or absence of something called “the economy.” Economics was concerned with a certain type of human behavior called “economizing.” People economize when they make choices between different uses for scarce resources in an attempt to minimize their outputs and maximize rewards The point of social science is not comparing different forms of social system but understanding what motivates human beings to act the way they do.(p.11)

The Substantivists didn’t try to explain anything; they just created taxonomies. Insofar as they did invoke a larger theory, it was generally some variant on Durkheimian functionalism. Where economists saw the shape of society largely as the outcome of individual decisions, Functionalists represented society as an active force in its own right—even, as something close to a conscious, purposive agent, though its only purpose seems to be a sort of animalistic self-preservation(p.11)

For a Durkheimian, economic institutions can be seen as a means of social integration—one of the ways society creates a network of moral ties between what would otherwise be a chaotic mass of individuals—or, if not that, then at least the means by which “society” allocates resources. The obvious question is how “society” motivates people to do this. Without some theory of motivation, one is left with a picture of automaton mindlessly following whatever rules society lays down for them, which at the very least makes it difficult to understand how society could ever change.(P.12).

While the Substantivist-Formalist debate is considered definitively passé, yet the issues are yet to be resolved. But there is a point. Those who start by looking at society as a whole are left, like the Substantivists, trying to explain how people are motivated to reproduce society; those who start by looking at individual desires end up, like the Formalists, unable to explain why people chose to maximize some things and not others (or otherwise to account for questions of meaning). (p.12)

Source: Graeber, David 2001, Toward an Anthropological Theory of Value, Palgrave, New York.

2.2.2 Substantivism

Polanyi maintains that the concept of economic rationality is a very specific historical construct that applies chiefly to the forms of market society that emerged in Western Europe in the early modern period. Thus Polanyi maintains that it is socially motivated behavior — behavior motivated toward the interests of one's family, clan, or village" — rather than self-interested behavior that is "natural" for human beings; rational self-interest is rather a feature of a highly specific society: market society.

In place of economic rationality and the market mechanism providing the basis for organization of the premarket economy, Polanyi argues that communitarian patterns of organization are to be found in a range of traditional societies. Polanyi ascertains that history and ethnography provide a wealth of variety of fundamental economic and social institutions. "Market institutions are historically specific... [and] themselves show substantial variation across time and place. That said — trade, artisanship, commodities, and production for the market appear to be activities that have very ancient roots in human societies. These kinds of economic exchanges are well documented in ancient China, Europe, and the Americas, and we can understand very well how they would emerge again and again out of ordinary human activity and interaction." So markets are surely not the nearly unique historical creation that Polanyi maintains them to be. Moreover, we can distinguish among "market" institutions (as Marx and Weber both do) according to whether they are organized around use or around accumulation; consumption or profit. Polanyi takes issue with the understanding that the most fundamental human motivation is rational self-interest. On the contrary, Polanyi maintains, this social psychology of "possessive individualism"...is itself a very specific historical product — not a permanent feature of human nature. In fact, Polanyi goes a step further and argues that the "social motivations are more fundamental than rational self-interest." (Polanyi, K. 1977)

Polanyi uses the concept of embeddedness to further elaborate the meaning of substantive economy. The concept of embeddedness is his most famous contribution to social thought. His concept of embeddedness actually stands for a critique of capitalist economy in which society and economy appear as two distinct spheres, disembedded from each other.

Polanyi starts by emphasizing that the entire tradition of modern economic thought or formal economy, continuing up to the present moment, rests on the concept of the economy as an interlocking system of markets that automatically adjusts supply and demand through the price mechanism. Even when economists acknowledge that the market system sometimes need help from government to overcome market failure, they still rely on this concept of the economy as an equilibrating system of integrated markets. In *The Great Transformation* while discussing the self regulating market, Polanyi states that no society, naturally live for any length of time unless it possessed an economy of some sort, but before now no economy has ever existed that, even in principle was controlled by markets as is the case with capitalist societies today. Gain and profit made on exchange never before played an important part in human economy. Though the institution of the market was fairly common since the later Stone Age, its role was, no more than incidental to economic life.

2.2.2.1 Embeddedness and Substantive Economy

Polanyi's intent is to show how sharply this concept differs from the reality of human societies throughout recorded human history. Before the nineteenth century, he insists, the human economy was always embedded in society which he calls substantive economy. The human economy is embedded in institutions, economic and non-economic. The inclusion of the non-economic is vital (e.g. religion). His purpose was to show how the economy meshed in with other cultural institutions in different societies at a particular period in time.

Polanyi emphasized the institutedness and social embeddedness of economies. He considered the economy, in its substantive sense, as 'an instituted process of interaction between man and his environment, which results in a continuous supply of want-satisfying material means'. He added that, as an instituted process, "the human economy ... is embedded and enmeshed in institutions, economic and noneconomic. The inclusion of the noneconomic is vital. For religion or government may be as important for the structure and functioning of the economy as monetary institutions or the availability of tools and machines themselves that lighten the toil of labor".

The term 'embeddedness' expresses the idea that the economy is not autonomous from society as the classical economists would make us to believe. Economy is always subordinate to politics, religion and social relations. He highlights how radical a break the classical economists, especially Malthus and Ricardo, made with previous thinkers. Instead of the historically normal pattern of subordinating the economy to society, their system of self-regulating markets required subordinating society to the logic of market. He writes in part one of *The Great Transformation*: "Ultimately that is why the control of the economic system the market is of overwhelming consequence to the whole organization of society: it means no less than the running of society as an adjunct to the market. Instead of economy being embedded in social relations, social relations are embedded in the economic system."

In the substantive economy, for Polanyi, economy is submerged in man's social relationships. "Man does not act so as to safeguard his individual interest in the possession of material goods, he acts so as to safeguard his social standing, his social claims, his social assets. He values material goods only in so far as they serve this end. Neither the process of production, nor that of distribution is linked to specific economic interests attached to the possession of goods, but every single step in that process is geared to a number of social interests which eventually ensure that the required step be taken. The interests will be very different in a small hunting or fishing community from those in a vast despotic society, but in either case the economic system will be run on non-economic motives. Polanyi frequently used Malinowski's Kula trade as an example of substantive economy." (1977)

Polanyi says that the classical economists propagated the idea of a society in which the economy had been effectively disembedded and for this they have used the political apparatus to pursue this objective of ideological promulgation. Yet he also insists that they did not and could not achieve this goal. In fact, Polanyi repeatedly says that "the goal of a disembedded, self-regulating market economy is a utopian project; it is something that cannot exist." In the opening page of Part One of *The Great Transformation*, for example, he writes: "Our thesis is that the idea of a self-adjusting market as implied is a stark utopia. Such an institution could not exist for any length without annihilating the human

and natural substance of society; it would have physically destroyed man and transformed his surroundings into a wilderness. (Polanyi, 1977).

Polanyi states that creating a fully self-regulating market economy requires that human beings and natural environment be turned into pure commodities, which assures the destruction of both society and natural environment. In his view the theorists of self-regulating markets or market liberalism are constantly pushing human societies to the edge of a precipice. But as the consequences of unrestrained markets become apparent, people resist; they refuse to act like lamplings marching over a cliff to their own destruction. "Instead they retreat from the tenets of market self-regulation to save society and nature from destruction. In this sense one might say that disembedding the market from society in capitalism or modern industrial society is similar to stretching a giant elastic band. Efforts to bring about greater autonomy of the market increase the tension level. With further stretching, either the band will snap – representing social disintegration – or the economy will revert to a more embedded position. The efforts of free-market theorists to disembed the economy from society are doomed to fail." (Ibid; 1977)

Polanyi's substantive model is profoundly relativist, it says that the economy is based on entirely different logical principles in different societies. Therefore, the tools for understanding capitalism are as useless for studying the ancient Aztecs as a flint knife would be for fixing a jet engine. He insists that any study of how empirical economies or substantive economies are embedded and instituted in social structures, non-economic factors should start from the way in which the economy acquires unity and stability, that is, the inter-dependence and recurrence of its parts. This is achieved through a combination of a very few patterns which may be called the forms of integration. The economy for Polanyi is always defined by the balance of three forms of integration: (i) Reciprocity, (ii) Redistribution, and (iii) Exchange. Polanyi distinguishes between these three modes of circulation which have coexisted in different degrees in societies throughout human history.

2.2.2.2 Reciprocity, Redistribution and Exchange

Reciprocity, Redistribution and Exchange signify three structures through which goods produced are distributed in any society. Reciprocity is that form of distribution of goods and services in which mutual sense of obligation prevails in terms of helping and sharing. Goods and services are exchanged between people who are related to each other in a symmetrical relationship by virtue of their belonging to same family or clan. Redistribution, as the name suggests, refers to the exchange of goods and services through a central authority of some kind who collects from everyone and then redistributes. Contrary to these two, Exchange refers to market system in which price system functions. Pre-capitalist economies are integrated primarily through Reciprocity and Redistribution whereas Capitalist societies are integrated via market system of Exchange. This does not mean that pre-capitalist societies have no functioning markets. They do have marketplaces where people trade, but they are not guided by rules of a self-regulated market. Although one can find the coexistence of all these three systems of circulation of goods and services in capitalist economies, but the dominant form would be Exchange and Reciprocity and Redistribution would fall into periphery and prone to be hegemonised by the dominant form of Exchange.

Pre-capitalist and Socialist economies are primarily dominated by Reciprocity and Redistribution. "Consequently, the mere presence of the marketplace as a

physical location of commercial exchange, or that of money is not in itself an evidence of the existence of a capitalist economy. In many traditional economies we can identify the presence of objects that have the role of money, but it's often special purpose money and not a means of exchange for general purposes that functions as universal standard of value, as is the case in the market economy. Because special-purpose money and goods or services that can be exchanged for them are restricted to certain areas of society, pre-capitalist economies are multi-centric, i.e. they have more spheres of exchange. By contrast, capitalist economies are inherently uni-centric, as all goods, services and means of production flow in a single unified sphere of exchange, integrated by market principles and made possible by the use of all-purpose money. . . Modern market exchange using money and bargaining to set prices is a very special case that became central to the European economy with the industrial revolution. A market system only comes into being when there is a market for the "fictitious commodities" of land, labor and money. It is only when income, the bulk of survival, becomes dependent upon the market that the market becomes the market economy. It is only then that the market takes over society and indeed becomes society."

Activity 1

Visit a neighbourhood market/Haat or shopping centre. Note down at least ten activities between the customers and shopkeepers or salesmen/women.

Recall or attend a Puja or birth/ death or marriage rituals. Note down various gift/money exchange between concerned families and priests.

Write a two page report on the nature of economic and cultural exchange in a comparative sense. Share your note with others at your Study Centre.

Check Your Progress 1

1. How is Economic anthropology/sociology understood?

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2. Who influenced Karl Polanyi in his theory of Economic Sociology?

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3. Distinguish between formalism and substantivism in about ten lines.

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2.3 DANADHARMA IN INDIA: A CASE STUDY OF GIFT EXCHANGE BY MARCEL MAUSS

To equip a better understanding of Reciprocity and Redistribution, let us discuss a few examples. Marcel Mauss in his seminal book *Gift Exchange* discusses various pre-capitalist societies in which Reciprocity and Redistribution was the prevalent form of circulation and integration of economy. He takes representative cases from Melanesia, Polynesia, the Andaman Islands, and the northwest coast of North America. In these societies Mauss found substantive material to sustain his thesis of three moral obligations to give, receive and reciprocate gifts in a gift economy. He also analyses the survivals of the principles of gift economy in the legal codes of ancient economies of Rome, India and Germany. Let us take one examples from this book which is specific to India.

Mauss narrates the theory of *danadharma* (the law of the gift) which applies to Brahmins. The theory of gift exchange in India is extracted from the epic *Mahabharata* which, according to Mauss has the value of *Smriti* and *Castra* (*shastra*) in Brahminic tradition. Mauss says that the thirteenth book of *Mahabharata*, the *Anucasanaparvan* (*Anusasana Parvan*) is more explicit on gift customs than the other law books. So he takes it as the prototype of gift exchange economy in Vedic India.

He considers *Mahabharata* as a story of tremendous *potlatch*. *Potlatch* is described by Mauss as practices of exchange in various tribal societies (such as *Trobriand Islands* studied by Anthropologist Bronislaw Malinowski) in which gifts are given away or destroyed as part of enhancement of social status. He refers to the game of dice in *Mahabharata* between *Pandavas* and *Kauravas* as Indian version of *potlatch*. He also mentions the military festival in *Mahabharata* where *Draupadi* chooses her husband.

So the economic theology postulates the idea that the gift is the extension of the giver which means in gift one actually gives oneself. At the same time gift is not completely lost at the time of giving to the giver. Rather it is said that “the thing given brings return in this life and in the other.” (Mauss, M: 54). So in a way gift reproduces itself as Mauss writes, “It may automatically bring the donor an equivalent return—it is not lost to him, but reproductive; or else the donor finds the thing itself again, but with increase. Food given away means that food will return to the donor in this world; it also means food for him in the other world and in his series of reincarnations. Water, wells and springs given away are insurance against thirst; the clothes, the sunshades, the gold, the sandals for protection against the burning earth, return to you in this life and in the other.” (Mauss, M: 55)

He further argues that this is a morally and economically regulated economy in which nothing is casual from contracts, alliances, transmission of goods and bonds created by these transfers. This is how it is different from market economy “where man takes a thing objectively for a price.” (Mauss M:58-59)

By now the difference between formalism and substantivism must be clear to you. By looking at the examples cited by Mauss in his book *Gift Exchange* you must be able to identify the limitations of the debate between formalism and substantivism. One of the greatest contributions of Substantivist school of thought is that it has challenged the ideological propagation that Capitalism is a

universal economic system, hence imperishable. By bringing in the ethnographic studies of various pre-capitalist societies of Asia and Africa, Substantivists have broadened up the scope for the discussion on alternative to capitalist economies. In fact, Karl Polanyi himself referred to Socialist economy with prevalence of Reciprocity and Redistribution. But this debate in Economic Sociology and Anthropology has its own limitations. While it has focused on the aspects of circulation of goods and services, it has missed out the element of production of goods and services in any economy. Production and distribution cannot be looked at as two separate spheres of an economy. You can see this limitation in Mauss's work when he is discussing gift exchange in India through the epic of Mahabharata.

2.3.1 A Critique of Gift Exchange

First of all the elements of the Gift Economy that Mauss is analysing are absent in Indian case. There three essential obligations involved in a gift economy according to Mauss which are – obligation to give, obligation to receive and obligation to reciprocate. In Indian case the obligation to give does not lie with Brahmins, but definitely the obligation to receive. Similarly, the obligation to receive does not apply to Kshatriyas but only the obligation to give. And dalits are out of these obligations as Brahmins are not prescribed to receive things such as pakka food from them. Untouchables are completely out of this circle of obligations. Thomas Trautmann in his critique of Mauss's account writes,

“Let us begin with the Mahābhārata as potlatch. One sees what Mauss is getting at: a warrior class imbued with a spirit of rivalry, in competition with one another over honors. They engage in games of dice in which they provocatively stake everything. They compete at archery or other contests for the hand of a princess. They find honor not in accumulation of wealth so much as in the magnificence of their generosity. And so forth. In short, every element of the potlatch ethos is present, except for the potlatch itself. Games of dice and the like are no doubt contests in which all may be recklessly staked and lost, but the Mahabharata heroes do not directly engage one another in gift contests, in which the object is to best the rival by giving more than he can reciprocate. Nor do we find the moral framework, which—if we understand it right—are the rules of the potlatch competition: obligatory giving, obligatory receiving, obligatory reciprocation of the gift. Indeed, one of the striking things about the warrior ethos, the ksatriadharma of the epic, as Minoru Hara has so nicely shown, is that kings refuse to accept, since to do so would be a sign of inferiority and dependence (Hara 1974). Only the Brahmin can be said to have an obligation to accept gifts, the second of Mauss' triple obligation—and he must not reciprocate, whence the third obligation does not obtain. Thus the Indian material from the Anuśāsana Parvan—which is so congenial at first to Mauss' thesis in respect of the notion of gift as extension of the giver, and as endowed with personality—fails him when he wishes to see in facts of this order the cause of the obligation to repay; for the (Brahmin) recipient of the religious gift is specifically forbidden to reciprocate” (Trautmann, 2017).

2.4 LET US SUM UP

You have read in this Unit the debate in Economic Anthropology between Formalists and Substantivists. The Formalists argue that the principles of capitalist economy are universal thereby constructing a logic for the universal applicability of capitalism and its accompanying ideology. Whereas

Substantivists, followed by Karl Polanyi, have criticised proponents of formal logic of economy and have argued for the production and distribution of goods and services in pre-capitalist economies through specific cultural contexts. Substantivists categorised three forms of circulation of goods and services in any society which are Reciprocity, Redistribution and Exchange. Polanyi distinguished the capitalist mode of production (which he actually preferred to describe in terms of the market economy and market society) from other forms of economic organization primarily in terms of its lack of social embeddedness. In pre-capitalist economies, the process of production was more or less firmly embedded in a wide variety of institutions such as the family, neighbourhood, community, etc. Indeed it was this embeddedness of pre-capitalist production that led Polanyi to distinguish forms of economic life in terms of their respective principles of distribution rather than in terms of their social relations of production. Thus Polanyi argued that, whilst it was often hard analytically to disentangle production from other social activities, one could generally identify the operational principles affecting the distribution of material resources. But the rise of capitalism disembedded material production from all extra-economic institutions and led to the emergence of an autonomous market economy operating according to a profit-maximizing economic logic.

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2.6 SPECIMEN ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress 1

1. Economic anthropology/sociology is understood in terms of two schools of thought; (i) Formalism; and (ii) Substantivism. One refers to the classical economics propounded by Melville Herskovits, who generally refers to the capitalist economy. The other, substantivists refer to non-capitalist societies economic life such as Karl Polanyi.
2. German sociologist, Max Weber influenced Karl Polanyi.
3. The Formalism and Substantivism was made by Polanyi based on two methodological disputes. Formalism associated with distinction sociology is based on a deductive and logical mode of thinking; whereas substantivism which is associated with anthropology is based on experience and description. Formalist approach is based on the idea of economic rationality of maximising individuals whereas substantivists, believed that economy is “embedded in the social and cultural context.



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UNIT 3: SOCIOLOGICAL ASPECTS OF ECONOMIC PROCESSES *

Structure

- 3.0 Objectives
- 3.1 Introduction
- 3.2 Production
- 3.3 Distribution and Exchange
- 3.4 Consumption
- 3.5 Conspicuous Consumption
- 3.6 Rationality and Economic Behaviour
- 3.7 Let Us Sum Up
- 3.8 References

3.0 OBJECTIVES

After reading this Unit, you will be able to understand—

- the crucial part that economy plays in social life;
- the various processes into which the economy can be conceptually broken down; and
- the main theoretical issues with respect to economy and society.

3.1 INTRODUCTION

Society is a conceptual entity and its break down into the economic, the political, and the religious among others is also a cognitive activity. Sociology, as we study has western roots. Therefore, these social dimensions have been largely modelled on contemporary western societies. Anthropologists working with non-western societies have frequently disagreed with these conceptual distinctions, often finding that in many societies these are not differentiated but overlap to a very large extent. Sociologically speaking, the economy is seen as those aspects of society that deal with provision of subsistence. But in complex societies, these processes take on a variety of forms and structures. In fact, the complexity of a society is largely decided by the complexity of its economy. From another point of view the economic comprises of all formal calculative activities directed towards instrumental ends. However, at present this view has been largely subsumed within the former.

The social aspects of the economy refer to the human agency and efforts made to produce, exchange, consume and socially distribute resources and the means to access these resources. Individuals establish various kinds of relations to execute these tasks and these relationships are bound by various norms, values and ethics that are culturally determined and are controlled by various power relations linked to social inequality, stratification and differentiation. One may see the relationship between these relations and the economy as reciprocal; like for example, the control of resources may be determined by the power that one possesses and likewise, one's power is determined by the quantity of resources one is able to access and accumulate. In some societies, power and rank is determined by what one gives away and in others, by what one can take from

• This Unit is written by Prof. Subhadra Channa.

others and accumulate. The latter type is what is broadly known as a capitalist society, where the power is directly related to control of economic resources and not to value laden criteria of morality and ethic.

In this unit we shall broadly discuss the various conceptual dimensions of economy and how they are embedded into social relationships, culture and values of a society.

3.2 PRODUCTION

Production is in simple terms the conversion of naturally occurring or non-consumable forms, into forms that are useful for humans and for society. For example, food is grown and converted to consumable forms, items are collected from various sources, and then combined to make useful articles like cars, clothes and electronic goods. The essential requirement for production is knowledge or technology, which is an essential aspect of culture and further transmitted through social relations. Even the simplest societies have a technology; but by itself, the technology is meaningless, as it has to be used through structural relationships that are foundational to any society. The production process is so designed that it also helps to reproduce the social relationships supporting it just as it produces the goods that are required. The simplest form of such structural relations is the primary division of labour, which according to Emile Durkheim (1893), forms the bedrock of social formations. If there was no division of labour, there would not be any society, as everyone would be able to do everything and be totally independent. Society is formed out of dependence and exchange, which is also the basis of social differentiation. Because different persons have different skills, natural endowments, abilities or ascriptive identities (like gender), they are able to exchange what they have with what they do not have. According to Claude Levi-Strauss (1969), the most fundamental exchange item in human societies is women, who need to be exported out of the group in which they are born by the principle of incest. But men and women are also primary partners in the exchange of services as gendered differences are among the most basic of social differentiations.

As Emile Durkheim (1893) had suggested in his much read book *The Division of Labour in Society*, there are broadly two kinds of societies, the earlier ones based on mechanical solidarity and the subsequent, including the modern industrial societies, based on organic solidarity. The former types are held together by likeness and a common collective consciousness; and the latter, by the exchange made necessary by the fact of the differentiation. The latter, because of having groups and individuals having specializations and different qualities, are bound together by the division of labour, which Aaron (2020:14) refers to the structure of the society as a whole, of which , economic division of labour is only one aspect.

Economists refer to the division of labour as the performance of different tasks by different members. Socially, however, the division of labour may reflect many aspects of society, most notably, social inequality as well as differentiation. There are two kinds of qualities possessed by social persons; one, that they acquire at birth, and the second, that they acquire as a member of society by their own efforts. As an example of the former, let us consider the division of labour based on caste that is found in India. Here people are born into groups which specializes in one kind of work or craft or service; like cutting hair (barbers), washing clothes (dhobis), cleaning public spaces (scavenging) and so on. There

is even a broad division of society into hierarchical strata, called Varna, that determines at a more abstract level, the kind of activity one is designed for; like if one is born a Brahmin, one is destined for learning, to be a teacher, to be a scholar, but also to be a ritual specialist, a priest, a genealogist and so on.

It is important to know that these are not just specializations, they are also marked with social values or what Bourdieu (1972) referred to as symbolic capital. Society does not evaluate all work equally, even if they are all equally important for its functioning. With respect to the example of the caste system, the value put on the intellectual work of the Brahmin is given highest value, though not always in economic terms. The Brahmin guru was often ranked higher than the king. The traders were ranked lower than the priests and the kings, although they were often actually wealthier. In the traditional systems, a person's rank was not judged merely in economic terms or in terms of wealth or the accumulation of wealth. Coming to the lower end of the caste system, the lowest rank was given to the service castes, or those that engaged in manual tasks. But these tasks were also ranked and stratified, according to the level of pollution attached to them. Therefore, a vegetable seller was ranked higher than a washerman, who was ranked higher than a scavenger. But such stratification was not clear cut and therefore there was always a scope for contestation and manipulation of rank, even if one could not actually change one's rank. But arbitrariness is not reserved for the ascriptive statuses or traditional systems of economic division of labour; they are equally applicable to achieved statuses and what Weber calls the rational-legal system.

The modern societies, based on industrial capitalism have more of what is called achieved statuses or work specializations that are acquired on merit and personal qualities rather than by birth. While all such work is equally important for the system, their ranking is quite arbitrary (Bourdieu and Passeron 1977). There is no reason why a particular profession is ranked higher than another. From the point of view of gender theory, it is also found that most often what women do is ranked lower than what men do, and this is not confined to modern societies alone. Even among the foraging societies, the occasional large game hunting by men has higher prestige value than the daily foraging activity of women that provides the majority of food and calories to the entire band. Here we are referring to a simple society largely similar to what Durkheim has called one based on mechanical solidarity. In the modern societies, there is the division of the public and private domain, and the prestige of all activities carried on in the public domain like working in formal economic institutions such as factories and to be part of the administration and political institutions that is considered far more prestigious than the housework done by women; that is actually the bedrock of social reproduction. Therefore, we find that the division of labour is both social in content and embedded in social values and power relations.

Next to division of labour in the realm of production is the very important aspect of the control of resources or the capital or the good needed for production. Influenced by the work of Lewis Henry Morgan, the evolutionary anthropologist, Engels had written the book, *The Rise of Family, Private Property and the State*, where he related the control of resources as the key to understanding social stratification and the unequal distribution of power in society.

To produce anything, one needs resources, of which the most primary are those that are found in nature. The hunters and food gatherers depend largely on what nature give us, and these they obtain as free goods. This is the reason why such

societies are known as egalitarian, as there is no one dependent on anyone else, but all have equal access to the means of production. However, even at this level, some kind of gender inequality may exist, as women may not have access to certain kinds of material as there is a ritual prohibition on their handling of these items. For example, among the Todas of Nilgiri Hills, the women could not touch milk or milk products, the primary resource of this pastoral community. Women were therefore almost banished from the economic realm and ranked lower than the men as well as the buffaloes.

In capitalist societies, the control over capital gives rise to classes of owners and workers in society. In the feudal society, land was the main capital but in the industrial society there is another class of people who have knowledge, a very important capital, the technicians, the managers and the high-level professionals who are even more highly ranked than the land owners or the owners of capital as money. Unlike the landed capital, money as capital has very much more fluidity and therefore the modern market-based economy is far more flexible in terms of its ranking and stratification, than the previous systems based on only land capital. The Marxists and the neo-Marxists have analysed the social stratifications based on capital, both static and fluid.

Marx wished to integrate economics with sociology to give a truly sociological economic theory. As Aaron (2020:170) explains, Marx wanted to combine the functioning of the economy with the evolution of the capitalist system. He identified two major contradictory classes in capitalism, the owners of the means of production and the wage earners; the bourgeoisie and the proletariat; and he predicted that both will rise and the proletariat will ultimately have the potential to become powerful enough to overthrow the bourgeoisie. But again, as Aaron (2020) pointed out, the bourgeoisie are a powerful minority and are dominant and likely to remain dominant, for the proletariat are the underprivileged masses who have little power. Those who claim to represent the proletariat are the ones who usurp the power for themselves, like the political leaders of the Labour Party as an example. The workings of modern capitalism also do not indicate that it is more exploitative than other economic systems as all modern economic systems need to replenish their technology and invest in the productive forces, and for that reason alone, the worker cannot be paid exact equivalence of his labour. Some surplus needs to be generated by all economic systems for management and for growth.

Dahrendorf (1959) viewed that the modern capitalist system has become far more complex than that described by Marx and has developed a diverse class system and a fluid power structure. There is the command class and the obey class, but those who are managing and giving commands need not be owners, and may not use all the value they produce. Those who possess the capital may not be actively participating in the production process. Land, for example may be rented out for production, the owner of the factory may not be its manager as well. Another important aspect of production is technology, and as technology is advancing and becoming more complex, the power relations are becoming more diffuse.

3.3 DISTRIBUTION AND EXCHANGE

In simple societies, the number of steps between production and consumption is few and most often the person who is the producer is also the consumer, with his own household, family and kin group. Here the process of distribution is

also direct, and follows norms set by kin and group norms. For example, if a man hunts a large animal, he brings it to camp and must share with all his band members. There is an unwritten law in band societies (Leacock and Lee 1982, Sahlins 1972) that all food is always shared, that as long as there is food in the camp, no one goes hungry. This is the form of exchange that Marshall Sahlins (1972) referred to as Generalized Reciprocity. But as soon as society becomes a little more complex and the most basic forms of stratification begin, the forms of exchange and distribution take on a variety of shapes. In a simple tribal chiefdom, the form of distribution that exists is called Redistribution. In this form, the persons who live under the rule of the chief keep giving him tribute as deference to his authority. But the chief is also obliged to use most of the tribute so received, to throw feasts and perform ceremonies that require a large number of people being fed, as food is the most basic resource for any community. The chief thus retains his power only if he is able to prove his legitimacy in the eyes of his followers by performing rituals and giving feasts. As Leach (1964) had shown in his classic ethnography of Highland Burma, the chiefship can always collapse into anarchy if the chief is not able to fulfil his obligations. This form of power is possible only in an economy that is not monetized. In a monetized economy, money itself has a value and its mere accumulation brings prestige and also power. In non-monetized economies, goods have only use value, and if not put to use, they become useless.

Some forms of tyrannical power can also give rise to what Sahlins termed as Negative Reciprocity, where a person or agency can demand tribute by virtue of its superior power. As Weber (1921) pointed out, power can be legitimate or illegitimate. In the former case, the dominated group that pays tribute or gives gifts, regards the power centre as deserving of its tributes. This may be because there is a divine sanction, or there is a hereditary claim to power or there is a charismatic claim or maybe there is a legal-jural recognized authority, like an elected government. However, tribute can be demanded and received through threat and the use of brute force. Then the nature of power is illegitimate and coercive. The production process is geared to the needs of exchange and redistribution as people who produce or who engage in gathering of resources (money in the case of monetized economies).

There are mainly three types of exchange, as categorised by Sahlins (1972), Generalized, Balanced and Negative. The first one, as we have already discussed is the kind that happens in small groups, where people give as much as they can and get as much as there is to receive and there is no accounting of who gets what and who gives what. Such a reciprocity or form of exchange is only possible in small groups or what are known as primary groups. The persons involved in such an exchange must have deep social bonding and even emotional attachment to each other, like in a family. Here the commercial or material aspects are subordinated to the welfare aspect of all members of the group.

The second form of exchange is more formal and calculative in nature. It is one that is based on exact equivalence and takes place where the relationship between the partners to the exchange is formal in nature, like buyer and seller in a market, or a formal social relationship. For example, in Indian weddings people keep a list of gifts given by relatives and friends, and often these provide the yardstick by which a gift is given reciprocally when required. In the market, especially in a formal setting there is a fixed price on goods. Whenever any kind of calculation enters into an exchange it is regarded as balanced reciprocity. It

does not mean an exact equivalence though, but simply an evaluation of the value of what is received and what is to be given.

As we have already discussed, negative reciprocity occurs when the exchange is weighted in one direction, that is, one side has to give or render service because of the unequal power relationship. The movement of goods and services is from the dominated or lower in social hierarchy to the one superior in hierarchy, for example, in North Indian marriage, the bride giver is lower in rank than the bride taker, so a dowry is given to compensate for the status difference. A person gives to one who is superior without expecting any reciprocity but only as an acknowledgment of the superior status of the former, like giving gift to one's boss in the office.

Distribution at the level of society is similarly constrained and informed by power stratification, those in higher positions usually get more of the social resources than those in lower or marginal positions. It is this process of distribution, both within groups internally and between groups externally, that is, an aspect of political economy that situates power relationships directly within the economic relations. The control of social resources is in the hands of the dominant groups, and in international scenario, in the hands of the dominant nations, and the power hierarchy always works to reproduce the inequality. Powerful nations often make use of international agencies like the World Bank and International Monetary Fund, to keep the poor countries poor. Although, the intricate and complex politics involved in these economic equations is beyond the scope of this unit, the student must know that economic inequalities of all kinds are intricately and intimately tied up with power hierarchies at all levels. These are also known as structural inequalities.

3.4 CONSUMPTION

Whatever is produced and exchanged has an ultimate destination of being consumed or used. Consumption is a socially dictated process that follows cultural norms. From the most basic needs like food and shelter to those involving social criteria like status and prestige, consumption is what reflects, who we are in society, our position, the social, ritual and political hierarchy. Consumption also reflects social relationships. Who has the responsibility to provide for whom? Who can take and who can give? These are important questions that guide consumption. As humans we have a very definitely human quality, that of deferred consumption. Humans can control their impulses, or can wait to eat even if food is in front of them. As humans we can set aside, we can control our impulses and we can be philanthropic, altruistic or ascetic. Controlled consumption is an integral aspect of our socialization to become fully integrated into society, to control our instincts and to subdue selfishness for the sake of the collective. Sociologists are well aware of the contestation between the individual and the society, the way individuals need to control their impulses and instincts, for the common good or the interests of the other members of the society.

Ethnographers, working with the simplest hunting and food gathering societies have found that control of consumption is ubiquitous in all social groups. Take for example, a hunter who hunts an animal alone in the forest. He never consumes it alone, but brings it back to the camp to be shared with others. Here also the division is not according to who has got the food, but according to social rankings and relationships. Even in an everyday meal eaten at home,

one is made aware of relationships, rank and cultural norms of etiquettes and hierarchy. In a traditional Indian family, the meal would be served to the male elders first, then to other male members, and women, who were also the cooks, ate last. It often happened that the best portions went to the men, that too in order of their rank. Economist Amrtya Sen (1981) employs the term 'entitlement' in addition to class, to analyse consumption and availability of resources and good to different members of society. It is wrong to assume that every member of the same class, or even the same family, has the same chances of having the same level and quality of consumption.

Gender theorists have long pointed to the disparity between men and women in the same household, and between male and female siblings in terms of consumption. In many parts of India, the girl child is deprived of nutrition and proper medical care, not because her family cannot afford it, but they would rather divert the funds for better things for their son. Not only food, but medical care and education are also given selectively to various members of the same family. The internal stratification of groups as well as the preferential treatment given to some members of a community, a family and a country; indicate that all social beings are not equal when it comes to distribution and consequently consumption of resources. These structural inequalities, the stratifications, marginalization and hierarchies that exist as part of historical, political and situational factors, inform economic decisions and consumption patterns rather than the other way around. However people do engage in some kinds of consumption behaviour in order to gain prestige or to elevate their social status as far as it is possible within the given social hierarchy.

3.5 CONSPICUOUS CONSUMPTION

An important sociological concept is that of conspicuous consumption (Veblen 1899). As already indicated, consumption has a close relation with social ranking and power. One form of consumption is not for personal use for any pleasure, but to impress society at large. The Kwakiutl Indians of the North-West coast of North America were known for their practice of potlatch that involved a dramatic display of material power by often burning or destroying large amounts of valuables like blankets, food and other goods. It also involved the dispersal of food and goods to other members of the tribe. Helen Codore (1950), in her analysis of the ritual has noted that there was more of redistribution of goods than their destruction, that most of the consumables, like food were actually given away and some items like a copper plate of high symbolic value were destroyed. The goal of the ritual was to gain the position of a big man or chief of the tribe. Although the tribe was criticised for irrational behaviour, we see such practices almost every day in modern societies, when people engage in ostentatious displays and exaggerated conspicuous consumption on a variety of occasions, like weddings, various kinds of celebrations, election campaigns and even in state celebrations.

Anthropologist Clifford Geertz (1980) has identified the 'Theatre State' as one that projects its power through ostentatious ceremonial display. We can recall the grand pageant of the Republic Day parade in Delhi, the fireworks on Bastille Day in France and similar displays and conspicuous consumption by most countries across the world. Ordinary people also engage in some degree of ceremonial expenses, like dressing well, sometimes beyond their means; to spend on wedding feasts and other rituals and other occasions, to make an

impression on other members of the community. 'Dressing to please the Joneses' is common English saying that expresses this very well.

3.6 RATIONALITY AND ECONOMIC BEHAVIOUR

Sociologists have theorised the concept of rationality and the application of its various shades of meaning to understand the relation between economy and society. The concept of economic man was popular at a point of time in economics, a hypothetical construct of a pure rational being. Here the concept of rationality is being considered in terms of economic profit. However, this was too narrow a concept to explain human behaviour. Max Weber (1921) has made considerable contribution to the theory relating economy to society, and he explains society in terms of social action. Weber has defined four kinds of rationality with respect to social action; first, is rational action in relation to a goal, second is rational action in relation to a value, third is action driven by emotion and fourth is action dictated by tradition. The first of these is what most people conceive of as economic action, that is, one that is directed towards a clearly defined goal, like ploughing the fields to raise a crop, or driving to the market to sell it. Here, Weber is not taking into account a failed goal, like if someone tries to do something right but does not succeed. As long as the person is doing what she thinks is correct, it is a rational action. For example if the Azande thought that by doing anti-witch craft magic they could avert disaster, they were being rational. Second, value oriented like bringing the money home to treat a sick mother, or to give away the money to charity instead of using it for one's self. Here the rationality lies in living up to one's ideals or cherished values. One may value charity over self-consumption; it is a matter of perspective but it is rational in its own context. The third is affective action driven by a sudden emotion or impulse, like hugging a friend one has seen after a long time; its rationality being explained by the emotion and the history of the relationship, the circumstances and so on; and lastly is action that obeys what is being handed down. This constitutes the large body of actions of day to day life that we perform without a thought that falls into the category of doxa, the taken for granted of everyday life, greeting one's neighbours, bowing before the deity, making tea, stopping at the red light and so on.

Within the field of economics, one means those aspects of social relationships and institutions that deal with providing for the material aspects of life. The substantive activities directed towards the providing for the material needs of society. Weber however has classically related these substantive material aspects to religion, supposedly the most non-material dimension of social life in his classic work linking the rise of capitalism to the existence of Protestant ethics in Europe. With the help of historical data, Weber (1930) attempted to show that the doctrine of the Protestant ethics was one of the main driving forces for the development of capitalism in the west. Protestant ethics, believes in predestination of the soul, that God has already chosen some souls for deliverance. Now every protestant would like to be the chosen one, but how does one know? One way is through success in this life. If God has chosen one, then God must be a constant helper, but only in constructive and legitimate activities. So, a devout protestant must work hard, be industrious, successful but at the same time curb consumption, be ascetic and simple in one's lifestyle. This according to Weber was the ideal prescription for accumulation of capital,

and for the religious man, accumulation of merit as well. Wealth was seen as a sign of divine grace, but only if used properly. This also led to investment in development of science and technology and helped in the rise of industrial capitalism. But, there have been many criticisms of Weber's particular thesis, as facts did not always point to the same correlation. For example, a Catholic dominated country like France is as progressively capitalist as England. Milton Singer had also shown with his data from industrial families in South India, how Hindu business men compartmentalize religion and business rationality. They are devout at home but once in the public domain, they become absolutely goal oriented and rational in Weber's first sense of the term.

Moreover, when we analyse the relations between economy and society, at every level, it is clear that economic relations and activities cannot be separated from social relations and activities and the economy is only one aspect of the social. Anthropologists had earlier thought that the pre-monetary communities had no economy, but they soon found out that they did have functioning economies in terms of having well organized production, exchange and consumption norms, rules and personnel. The only difference was that the economy was embedded within the other social relational structures like kinship, family and the sacred. As Fortes (1953) pointed out, the unilineal descent groups acted as corporate groups among many tribes, owning and managing resources like land and cattle. Right to resources was by membership of the descent group and managerial functions were by the elders of the clan, matrilineal or patrilineal. The household acts as a consumption and production unit among many groups even now, for example artisan groups like potters and crafts persons, even in the urban areas. Technology and skills are often passed down the family line.

Therefore, the four kinds of rationality that Weber described are separated only for conceptual clarity. At the level of practice, they can, and often do, occur together. Our goals are often determined and influenced by our values, our actions, even if goal oriented can be impulsive and emotional. For example, investment in the stock market is certainly to be seen as a pragmatic goal, but the reasons why people want to invest can be driven by values such as money to get a daughter married or to go for pilgrimage. Investments can also be made calculatedly or impulsively, or by sentiments and traditions play a role in everything. One can be a safe investor or a speculator and both can explain their actions by their respective rationality. Therefore, the entire concept of economic man is a mirage, that is shadowed over by our social relations, culture, values and norms. Humans are first and last, social beings and all other aspects are conditioned by this fact alone.

3.7 LET US SUM UP

In this Unit the student has learnt about the relation between the economic aspects of society and other social relations. We have seen that although for conceptual clarity we do separate different domains within the economy, like production, consumption, exchange and distribution of goods and materials, in reality these are illusions only. Actually, all aspects of economy and all kinds of economic relations are aspects of social and political relations, and express various conditions of society, like stratification, inequality, gender differences, religious values and power distribution. Humans do not live to eat and reproduce. They live for society as social beings. We see how even an abstract formal institution like the stock market also responds to very social and political events

like the festive season or the results of an election, belying the existence of anything purely instrumental.

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