

PREFACE

In a bid to standardize higher education in the country, the University Grants Commission (UGC) has introduced Choice Based Credit System (CBCS) based on five types of courses viz. *core, generic elective, discipline Specific, ability and skill enhancement* for graduate students of all programmes at Honours level. This brings in the semester pattern, which finds efficacy in sync with credit system, credit transfer, comprehensive continuous assessments and a graded pattern of evaluation. The objective is to offer learners ample flexibility to choose from a wide gamut of courses, as also to provide them lateral mobility between various educational institutions in the country where they can carry their acquired credits. I am happy to note that the university has been recently accredited by National Assessment and Accreditation Council of India (NAAC) with grade “A”.

UGC (Open and Distance Learning Programmes and Online Programmes) Regulations, 2020 have mandated compliance with CBCS for U.G. programmes for all the HEIs in this mode. Welcoming this paradigm shift in higher education, Netaji Subhas Open University (NSOU) has resolved to adopt CBCS from the academic session 2021-22 at the Under Graduate Degree Programme level. The present syllabus, framed in the spirit of syllabi recommended by UGC, lays due stress on all aspects envisaged in the curricular framework of the apex body on higher education. It will be imparted to learners over the six semesters of the Programme.

Self Learning Materials (SLMs) are the mainstay of Student Support Services (SSS) of an Open University. From a logistic point of view, NSOU has embarked upon CBCS presently with SLMs in English/Bengali. Eventually, the English version SLMs will be translated into Bengali too, for the benefit of learners. As always, all of our teaching faculties contributed in this process. In addition to this we have also requisitioned the services of best academics in each domain in preparation of the new SLMs. I am sure they will be of commendable academic support. We look forward to proactive feedback from all stakeholders who will participate in the teaching-learning based on these study materials. It has been a very challenging task well executed by teachers, officers & staff of the University, and I heartily congratulate all concerned in the preparation of these SLMs.

I wish you all a grand success.

Professor (Dr.) Ranjan Chakrabarty
Vice-Chancellor

Netaji Subhas Open University
Under Graduate Degree Programme
Choice Based Credit System (CBCS)
Subject : HONOURS IN SOCIOLOGY
Course Code : CC-SO-08
Economic Sociology

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Under Graduate Degree Programme
Choice Based Credit System (CBCS)
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Economic Sociology

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UNIT 1: Formalism and Substantivism

Structure of the Unit

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- 1.2 Formalism
- 1.3 Polanyi's Critique of Formal Economic Theory
- 1.4 The Concept of Embeddedness in Substantivism
- 1.5 Polanyi's Concept of Interest and Forms of Integration in the Economy
- 1.6 The Formalist Critique of Substantivism
- 1.7 Conclusion
- 1.8 Summary
- 1.9 Questions
- 1.10 References and Further Reading

1.0 Learning Objectives

- To provide an understanding of the formalist position in economic sociology
- To provide an understanding of the substantive position in economic sociology
- To provide an idea of the formalist-substantive debate in economic sociology

1.1 Introduction

Sociology, as we all know, arose in reaction to the emergence of the industrial capitalist economy. The founders of sociology were all interested in the economy and its bearings on the larger society. Durkheim in his *Division of Labour in Society* (1893), Simmel in his *Philosophy of Money* (1900) and Weber in his *Economy and Society* (1920) offered insights into the interrelationship between the larger society and the economy. The whole body of Marx's work was oriented towards understanding the impact of the economy on the rest of the society and vice versa. In all these classical sociological works we can find a focus on the role of economy in society and also the development of an analysis that is different from the analysis done by economists. In

fact, the relationship between capitalism and modernity was a central issue for all the classical thinkers in sociology.

Defining economic sociology

It is, then, easy to see that economic sociology does have a long and rich tradition as a core area in sociology. It has received the active attention of the founders of sociology. Some important insights of economic sociology can also be found in works even before them, for example, in Montesquieu's, Alex de Toqueville's and Saint Simon's works. The term economic sociology was first used by William Stanley Jevons in 1879 and was later used by Durkheim, Simmel and Weber between 1890 and 1920. Durkheim clearly outlined the scope of economic sociology:

"Finally there are the economic institutions: institutions relating to the production of wealth (serfdom, tenant farming, corporate organization, production in factories, in mills, at home and so on), institutions relating to exchange (commercial organization, markets, stock exchange, and so on), institutions relating to consumption (rent, interest, salaries and so on). They form the subject matter of economic sociology. (Emile Durkheim 1978:80, quoted by R. Swedberg in Principles of Economic Sociology)

Therefore we may define economic sociology as the application of the frames of reference, variables, and explanatory models of sociology to that complex of activities which is concerned with the production, distribution, exchange, and consumption of scarce goods and services. To make it simple, it is the study of the social cause and effect of economic phenomena (Swedberg, 2009). It is the application of the sociological perspective to economic phenomena.

The contribution of the founders

The period 1890 to 1920 was the golden period for economic sociology. The pioneers of sociology made important contributions for laying the foundation of economic sociology during this period. We may take a very brief look at the important contributions to economic sociology by the four founders of classical sociology, namely, Karl Marx, Emile Durkheim, Max Weber and Georg Simmel.

Karl Marx in his theory of social change gave supreme importance to the materially productive activities of man. In Marx's view man's productive labour is social in nature and the relations of production form the basis of all his social relationships. He dismissed the economists' idea of the isolated individual. To him the individual is a social being, occupying a particular position in the class structure of society. Marx was critical of Adam Smith's idea of the "invisible hand" or that individual interests merge and form the general interest of society. For him, there is only class interest which is invariably in opposition to each other and so violent class struggle is the only way of social change.

Max Weber had been a professor of economics before he turned to sociology. He

built a bridge between the two disciplines, economics and sociology, in his *Economy and Sociology*. According to Weber, economic analysis should cover "economically relevant phenomena" or non-economic phenomena like religious values that may affect economic activities and "economically conditioned phenomena" or non-economic phenomena that are affected by economic activities or institutions in addition to purely "economic phenomena" or economic institutions for economic ends. Economic theory only helps us understand purely economic phenomena in its rational form. Economic sociology and economic history can help us understand all three categories of phenomena. In his search for the origins of modern capitalism, Weber illustrated the role religious faith or values play in shaping the economic destiny of a society. Weber showed instrumental rationality to be one of the various types of rationality and instrumental rational action as one of the various types of social action. He also distinguished between various types of capitalism.

The outline that Emile Durkheim provided for economic sociology has been given earlier in this passage. His work on division of labour was of utmost importance for economic sociology. Economists view the division of labour as an economic phenomenon and understand it in terms of productive efficiency. But, armed with the sociological view, Durkheim shows how division of labour helps to integrate society by changing the legal system from repressive and penal to restitutive and contractual. He also pointed to pathological forms of division of labour as the source of many social evils. Durkheim criticized Spencer's idea that a society can function if all individuals simply follow private interests and contracts. According to Durkheim, a contract only works when there are regulative or moral elements in society. The regulation of contract, says Durkheim, is social in origin. He warns us against letting the private interest play freely against the general interest of a society. In the absence of a regulating authority that takes care of the general interest there will be economic anomie. People need norms and rules for situations of anomie lead to various social evils like suicide. Durkheim dismissed the idea of *homo economicus* because he found it impossible to separate the economic element from the social life and disregard the rest. Durkheim did acknowledge the role of private interest in economic activity, but he was careful to point out that self-interest is not devoid of morality.

Georg Simmel, like Durkheim, usually viewed economic phenomena within some larger, noneconomic setting. Simmel's *Philosophy of Money* (1900) is a rich work containing sociological observations on a multitude of economic topics such as inflation, bribery, jewellery, forged coins, lottery tickets, debasement of coins, credit etc.. Many of these analyses are variations of the theme of exchange. Exchange is the central idea in Simmel's analysis. His main point is that money and modernity belong together. Simmel was also the first sociologist to point out the important role that trust plays in economic life. The value of money, Simmel observed, typically extends only as far as

the authority that guarantees it. In relation to money, trust consists of two elements. First, because something has happened before—for example, that people accept a certain type of money—it is likely to be repeated. Another part of trust, which has no basis in experience and which can be seen as a non-rational belief, what Simmel calls "quasi-religious faith," is present not only in money but also in credit.

Simmel's most important study, *Soziologie* (1908), focuses on the analysis of interests. He suggested what a sociological interest analysis should look like and why it is indispensable to sociology. For him, interest drives people to form social relations, and it is only through these social relations that people's interests can be expressed. Economic interests, like other interests, can take a number of different social expressions. In his analysis of competition Simmel points out that competition can take the form of "tertius gaudens" or the third who benefits.

In the following period, Talcott Parson's *The Structure of Social Action* (1937), Schumpeter's *Capitalism, Socialism and Democracy* (1942), Karl Polanyi's *The Great Transformation* (1944) and Parson and Smelser's *Economy and Society* (1956) were some of the most notable contributions to the field of economic sociology. This was also the period of the highly intense formalism and substantivism debate. This is what we are about to study in this unit.

The terms 'formalism' and 'substantivism' were used to mark the antagonistic positions in a controversy that dogged economic anthropology in the 1960s. The distinction between 'formal' and 'substantive' approaches to economic phenomena was made by the influential economic historian Karl Polanyi (Polanyi 1958), reflecting Max Weber's distinction between formal and substantive rationality. The 'economic', according to Polanyi, can be defined in formal terms as a kind of rationality which assesses choices between scarce resources by calculating in terms of means and ends, costs and benefits. On the other hand, it can be defined in substantive terms, as whatever processes people employ in their relationship with the material world. The formal definition employed by modern economics is a product of a society in which the economy has been isolated from other areas of social life. The substantive definition is potentially much broader in its application, and is explicitly intended to deal with societies and historical epochs in which the economy has not been detached from other areas of social life like religion or kinship.

The formalist critique of substantivism was initiated by Scott Cook, in his 1966 article *The Obsolete "Anti-Market" Mentality: A Critique of the Substantive Approach to Economic Anthropology*, where he points out that economic anthropology came to be divided between formalists, who believe that the difference between western market economy and primitive subsistence economies is only one of degree, and substantivists, who argue that this difference is one of kind. According to the formalists in economic sociology and economic anthropology, economics is the study of the allocation of scarce

means to alternative ends. In other words, it is the study of economizing or the way in which people maximize personal satisfaction. There are abstract theories in economics about how people go about maximizing this satisfaction and for the formalists these theories are general enough to be applied to economies in all kinds of society at all historical periods. For the substantivists formal economic theory is based on the study of capitalist market economies where the point is maximization of profit by individual. The theories that are developed are through such studies are not general enough to be applied outside of the industrialized capitalist realm. Another point of difference between the formalists and substantivists is the methodological question regarding the proper unit of analysis. The formalists based their argument on individual choice and therefore their approach necessarily entailed methodological individualism. In contrast, substantivists, on the other hand, stress upon the social or institutional matrix or the social context in which such choice occurs.

1.2 Formalism

Formalism in economic sociology and economic anthropology consists in the idea that the formal rules of neo-classical economic theory derived from the study of capitalist market societies can be used to explain the economy of all societies. According to the formalists, all economies involve the rational pursuit of, access to and use of scarce resource by self-interested and profit maximizing individuals (H. Schneider 1974). To them, the subject of economic study is "economizing behaviour" and such behaviour is universal. The American anthropologist, Melville J. Herskovits in his *The Economic Life of Primitive Peoples* (1940, 1952) maintained that scarcity is universal and so is maximizing behaviour on the part of the individual. The same means are applied everywhere to achieve different ends, only the cultural matrix varies. According to Harold Schneider, an American economic anthropologist who arose as a key figure in the formalist school declared that all formalists agree to the cross-cultural applicability of formal micro-economic theory. The formalists employed neo-classical economic concepts to interpret their data. They see all material behaviour as organized ways of arranging means to secure ends that they value. The human individual is always assumed to be rational and self-interested. Capital, labour and land everywhere are assumed to be scarce and productive. All livelihood practices are interpreted as market practices. They show that people everywhere calculate marginal returns, diversify risk and measure cost-benefit ratio with imperfect information. The primitive economies are just underdeveloped markets to the formalists.

1.3 Polanyi's Critique of Formal Economic Theory

Polanyi criticized economic theory for being "formal" in *Trade and Market in the*

Early Empires (Polyani, Arensberg, and Pearson [1957] 1971), and especially in his essay "The Economy as Instituted Process" ([1957] 1971). By "formal" he meant that economic theory was based on logic and deduction, following the logic of choice, the means-end relationship and the scarcity of everything that people want. There is also a tendency to equate economy with the market which he calls the "economistic fallacy". As an alternative, Polyani presented his "substantive" position which instead of being based on logic is descriptive, based on experience and grounded in reality. "The substantive meaning of economy derives from man's dependence for his living upon nature and his fellows" ([1957] 1971b, 243). The idea of economic interest is only an artificial construction in formal economics whereas in Polyani's substantive position it is tied directly to the livelihood of man. It refers to how humans make a living interacting within their social and natural environments. A society's livelihood strategy is seen as an adaptation to its environment and material conditions, a process which may or may not involve utility maximisation. This position does not pre-suppose rational decision-making and conditions of scarcity. The substantive meaning of "economics" is seen in the broader sense of "provisioning". Economics, from the substantive point of view, is the way society meets its material needs.

1.4 The Concept of "Embeddedness" in Substantivism

The most famous concept associated with Polyani's concept of substantivism is "embeddedness". The economic system, according to him, is part of a larger social system and is enmeshed in the social cultural and political structures. The idea that economy is embedded in the social structure represents a holistic approach that every part of a system can be understood only with reference to the whole. This means that economic activity is possible only in the context of society and so in order to understand the principles of economic life, one always has to acknowledge the social, cultural and political structures in which the economy is enmeshed.

Polyani shows how economic actions become destructive when they are not governed by social or non-economic authorities. It is then that they become "disembedded". The problem with capitalism, according to him, is that instead of society deciding about the economy, it is the economy that decides about the society under capitalism. In Polyani's words, "...instead of the economic system being embedded in social relationships, these relationships were now embedded in the economic system" ([1947] 1982, 70).

Polyani published his most celebrated work, *The Great Transformation: The Political and Economic Origins of Our Times* (1944), during the World War II. He was interdisciplinary in his approach, since he studied law as well as economic history and economic anthropology. In this work he showed that in the nineteenth century England made a revolutionary attempt to introduce a new market-centred society. This market

was assumed to be "self-regulating" in nature and no external authority was deemed to be needed. In the 1840s and 1850s a number of laws were passed that turned land and labour into common commodities in the market that could be bought and sold at will. The new economy that took shape was unique in the way it was "disembedded" from the larger society. It commoditised all goods and services, even land and labour in terms of a single standard i.e., money, and set their prices through the self-adjusting mechanism of supply and demand. The value of money was to be decided by the market and not by the political authorities. In all historical periods before this, the economy was "embedded" in the society and the factors of production were neither monetised nor commoditised. Access to land and labour was gained through ties of kinship and membership of community. Many pre-capitalist economies had marketplaces, but not self-regulating, supply-and-demand market economies. Money was employed as a medium of transaction, but its scope was rather limited. *The result of all these, according to Polanyi:*

"Robbed of the protective covering of cultural institutions [through the operations of the market], human beings would perish from the effects of social exposure; they would die as the victims of acute social dislocation through vice, perversion, crime, and starvation. Nature would be reduced to its elements, neighbourhoods and landscapes defiled, rivers polluted, military safety jeopardized, the power to produce food and raw materials destroyed" ([1944] 1957:73).

During the second half of the nineteenth century several negative effects became evident and counter-measures were taken to correct the situation. Polanyi calls this the "double movement" that only led to further lack of balance in the society. According to him, twentieth century developments like Fascism and The Great Depression were the end results of England's attempt to turn everything over to the market. The counter-measures partially re-embedded the economy and later culminated in the establishment of the welfare state. There is, for Polanyi, an ongoing political struggle between the 'disembedding' force of the free market and the 're-embedding' efforts of social protection. It is one very useful way of understanding the politics of modern capitalism.

1.5 Polanyi's concept of interest and forms of integration in the economy

In his analysis of interest, Polanyi argued that in all societies before the nineteenth century "social interests" or the general interests of groups and societies were seen as more important than the "economic interest" or the money interest of the individual. The modern narrow conception of interest has led to a distorted view of social and political history. So, he argued that rational self-interest is too unstable a foundation for society.

The economy is a process of interaction between man and his environment by which he obtains all the necessary things in order to satisfy his needs. To Polyani, it is an integrated and instituted process. This means in the context of economic life a number of laws function that make it stable and unified and a structure exists that configures it and provides the recurrence and interdependence of its various aspects. These principles give rise to specific institutions, in the context of which people perform their economic activities. For example, laws of free market or principles of economic planning are structures that integrate the economy, whereas the capitalist and socialist systems and their specific components are the corresponding institutions.

An economy must be able to provide continuous material sustenance to the people. There are three "forms of integration" or ways to stabilize the economy. The first is reciprocity which is symmetrical exchange within groups like the family, the neighbourhood or the kinship group. The second form is redistribution in which goods are allocated from a centre in the community such as the state or public distribution system, and the goods change owner first from the periphery towards a center, and then from this center to wherever the members of the society need them. The third form is exchange in which goods are distributed via price making markets. There is usually a mixture of these three forms in every economy and any one form may be dominant over the others. The exchange form became dominant in western societies after the industrial revolution, but it is in no way the only existing form.

Traditional economies i.e., those characteristic of previous periods of history or those belonging to primitive societies are integrated mainly through reciprocity and redistribution, even if in some of them we can find functioning markets and marketplaces, the physical locations where people trade. In principle, believes Polyani, all three forms of distribution are to be found in Western economies whereas in traditional and in socialist economies, only redistribution and reciprocity are found. In primitive societies lacking a central political authority, only reciprocity functions.

Polyani points out that 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.

1.6 The Formalist Critique of Substantivism

Although there is great diversity of views within the formalist orientation, Richard Wilk believes that critical reaction against substantivism could be summed up in five ideas that can be found in the writings of all its members: (1) Substantivists misunderstood microeconomic theory, because they didn't realize that maximization, in the sense that it is discussed by economists, does not necessarily imply the existence of markets and money. Anything of interest to man, from financial profit, to leisure, security and the feeling of love, can be understood using the idea of maximization. (2) Substantivists are not realistic people, who understand and take into account the real economic state of affairs, but 'romanticists' whose thinking is flawed by misconceptions such as the belief that human being can not be adequately understood as an intelligent agent, motivated and animated only by self-interest. (3) Substantivists did not understand that formal methods work well in non- Western societies too, because in any society we find rational people who have limited resources available for attaining certain alternative goals. It is true that formal instruments may need to be refined and adapted from case to case, but their validity is unquestionable. 4) Substantivists are essentially limited by their inductive methodology, which attempts to collect data on a multitude of particular situations, and then construct generalizations from them. Formalists, on the other hand, believe that the opposite method, the deductive one is preferable because it allows us to explain each element of behavior by a general law, valid for all human beings. (5) The source of substantivists' erroneous way of thinking is to be found in Polanyi's thought. He thought that the laws of market economy do not apply in primitive and traditional societies. On the other hand, in today's world, more and more societies are attracted by the global economic system and copy its economic model. Therefore, substantivism is not relevant any more.

1.7 Conclusion

The formalist-substantivist debate has thus been a long argument in the fields of economic anthropology and social anthropology. The debate itself has been inconclusive, but it has definitely been intellectually stimulating and has offered various valuable insights and raised important questions about the economic life of people. The contribution of Karl Polyani, has been especially thought-provoking and has inspired new economic sociology decades afterwards. His concept of embeddedness, sharpened by other thinkers, continues to be a key conceptual tool to understand the interrelationship of economy and society.

This unit is a primary introduction to the key concerns and insights of the highly active and flourishing area that economic sociology today is. In this module we have

sketched out the journey of economic sociology since its inception to the present day. It is indeed a quick sketch, as further reading into the area will show us. There is a list of references and further readings at the end. It would be enriching for anybody interested in economic sociology to go through the resources mentioned in that section. Let us now review what we have learned in this module in a short summary.

1.8 Summary

Since its beginning, sociology has been concerned with economy, and particularly modern industrial capitalism. In the period between 1890 and 1920, the founding fathers of sociology, Marx, Durkheim, Weber and Simmel laid a strong foundation for economic sociology in their work. In later years, important contributions were made by Parson, Schumpeter, Polanyi and Smelser.

In the 1960's there came up a long and intense debate between the formalist and substantivist approaches to economic anthropology and sociology. The formalist school, in the tradition of neo-classical economics, saw economics as the study of the ways in which the individual goes about maximizing satisfaction, basing their argument on individual choice and rational calculation. For formalists such as Scott Cook, Schneider and Herskovits, economies other than the modern capitalist ones are different only by degree and economic theories developed through the study of modern capitalist economies can be applied to all economies at all time periods in history.

The substantivists on the other hand, defined economy as whatever processes people employ in their relationship with the material world. According to Karl Polanyi, the most important exponent of the substantivist position, economy is the way society meets its material needs. The economic system of a society is enmeshed or "embedded" in the larger social cultural and political structures, and Polanyi shows how economic actions become destructive when they become "disembedded" or ungoverned by social or non-economic authorities. He shows that there are a number of forms of integration that stabilize the economy in all kinds of societies. Human economic activity is driven by many other kinds of interest than the rational self-interest that the formalists assume as the basis of all economic action. Economic theories developed in the context of the modern capitalist economies equate the economy with the market which is a fallacy according to Polanyi.

The formalist-substantivist debate, though intellectually stimulating, was inconclusive in the end. However, Polanyi's thought, particularly his concept of embeddedness continues to serve as an important concept to understand the relationship between society and economy.

1.9 Questions

1. What do you mean by the formalist perspective in economic sociology?
2. What do you mean by the substantive perspective in economic sociology?
3. Has sociology been concerned with the economy since the beginning? Justify your answer.
4. What did Polanyi mean by 'embeddedness'?
5. According to Polanyi, what are the forms of economic integration?
6. What were the main points of contention between the substantivists and the formalists?
7. Discuss Emile Durkheim's contribution to economic sociology.
8. Distinguish between the formalist and substantivist perspectives.
9. Discuss Polanyi's critique of formal economic theory.
10. Discuss Polanyi's concept of interest and forms of integration in the economy.
11. Write a note on the formalist critique of substantivism in economic sociology.
12. Write a note on the contribution of the founders of sociology in the area of economic sociology.
13. Write a detailed note on the formalist-substantivist debate in economic sociology.

1.10 References and Suggested Readings

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3. Mark Granovetter & Richard Swedberg, *The Sociology of Economic Life*, Avalon Publishing, 2011
4. Richard Swedberg (Ed), *Explorations in Economic Sociology*, Russel Sage Foundation, 1993.
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Unit 2 : New Economic Sociology

Structure of the Unit

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- 2.1 Introduction
- 2.2 The Work of Mark of Mark Granovetter
- 2.3 Contributions Using Structural Sociology and Networks
- 2.4 Contributions Using Organization Theory
- 2.5 Contributions Using Market Analysis
- 2.6 Contributions Using Cultural Sociology
- 2.7 Contributions Using Historical and Comparative Traditions
- 2.8 Interest Theory in Economic Sociology and the Work of James Coleman
- 2.9 Contributions of Bourdieu and Other European Thinkers
- 2.10 The Feminist Perspective in New Economic Sociology
- 2.11 Conclusion
- 2.12 Summary
- 2.13 Questions
- 2.14 References and Suggested Readings

2.0 Learnign Objectives

- To provide an understanding of the term "new economic sociology"
- To provide an understanding of the various perspectives that have contributed to the development of this field
- To provide knowledge of the important works in this field

2.1 Introduction

The 1960s and 1970s were years of relative inactivity for the sub-discipline of Economic Sociology. The 1980s saw resurgence in interest and contributions after this time are known by the name of new economic sociology. The landmark that set the

beginning of new economic sociology was the publication of Mark Granovetter's *Economic Action and Social Structure: the Problem of Embeddedness* (published in the *American Journal of Sociology*, 1985) and in the same year he suggested the name New Economic Sociology. Thereafter, there has been a steady flow of work under the new name. New economic sociology has contributed to the understanding of economic phenomena in various new ways. Notable contributions have been made about the organization of firms, role of networks, consumption, gender, culture, values and social capital in the economy. New economic sociology has been enriched by the work of not only sociologists but also economists. According to Granovetter, new economic sociology attacks neo-classical economics in fundamental ways and takes on key economic topics rather than be focussed on peripheral ones.

2.2 The work of Mark Granovetter

Granovetter's concept of embeddedness is discussed in his 1985 article, *Action and Social Structure: the Problem of Embeddedness*. He has refined and strengthened his argument in his two major works, namely, *Society and Economy: The Social Construction of Economic Institutions* which is a general theoretical work in economic sociology, and *The Making of an Industry: Electricity in the United States* (with Patrick McGuire) (1998) which is a study of the emergence of the electrical utility industry in America.

Granovetter states that economic actions are embedded in concrete, on-going systems of social relations. Networks are central to this concept of embeddedness. He makes a clear distinction between an actor's immediate connections or "relational embeddedness" and the distant ones or "structural embeddedness". He connected the concept of embeddedness to theory of institutions. Granovetter argues that institutions are "congealed networks". Interactions between people after some time acquire an objective quality that make people take it for granted. Economic institutions are characterized by "the mobilization of resources for collective action". Brian Uzzi, in his attempt to elaborate this concept of embeddedness in *Social Structure and Competition in Inter-Networks: The Paradox of Embeddedness* (1997) argues that a firm can be "under-embedded" or "over-embedded" and a firm is most successful when it balances between arm-length market ties and more solid links. Many other critics have pointed out that Granovetter omits to consider many aspects of economic action, for example, a link to the macro-economic level culture, and politics. Zukin and DiMaggio in their *Structures of Capital: The Social Organization of the Economy* (1990) suggest that we can talk about not only "structural embeddedness" but also of "political", "cultural" and "cognitive embeddedness".

2.3 Contributions Using Structural Sociology and Networks

Network Analysis in economic sociology has been strengthened by structural sociology. This approach is centred on the proposition that the relations of persons and positions are crucial to the social process. The network analysis practitioners generally use a mathematical approach, avoid regression analysis and other such quantitative methods and focus on social mechanisms. Harrison White and his students like Mark Granovetter, Scott Boorman, and Michael Schwartz are the most prominent contributors in this area. White's work in economic sociology is concerned with networks, vacancy chains and markets. He begins his analysis from people's physical dependence on their surroundings but notes that interests are soon embedded in social relations.

Network analyses based on empirical studies made their first appearance in the 1970s. Granovetter's well-known work *Getting a Job* (1974) is an example. The main thrust of the study is to challenge the notion of mainstream economics that social relations can be abstracted from an analysis of how people get jobs. Through network data he had collected in suburban Boston, Granovetter succeeded in showing that information about openings in the job market travels through social networks. The more networks one belongs to, the more likely one is to find this type of information. Having a few very close and helpful friends is not as effective in terms of getting information as being linked to many different networks. Such is the "strength of weak ties" in Granovetter's words. A corollary of this thesis is that people who have had several jobs are more likely to find a new position when they become unemployed than those who have had only one employer.

Interlock studies are also a kind of network analysis based on empirical studies. They are studies of the kind of links that emerge when some individual is a member of more than one corporate board. Interlock studies became popular with Marxist sociologists to document how the ruling class controls corporations, for example, Mintz and Schwartz's *Power Structure of American Business* (1985). Another version of this argument can be found in Michael Useem's *The Inner Circle* (1984), a study based on interviews with chief executive officers (CEOs), whose main point is that CEOs who are members of several boards have a better overview of the economy, something that enables them to better defend their interests. Interlock studies can be quite valuable, but only on condition that they are complemented by other materials like historical studies and interviews.

Several studies have been done on the links between corporations and the links within industrial districts. In Ronald Burt's *Structural Holes* (1992) competition and entrepreneurship are analyzed from a network perspective. It is based on the argument that when an actor is the one and only link between two networks, he is in a good position to

exploit this situation (*tertius gaudens*, or "the third who benefits," in Simmel's work). Brian Uzzi's study of embeddedness from 1997 also makes use of networks. Granovetter (1994) has also suggested that the network approach can be used to study so-called business groups, that is, the kind of social formations that are made up of corporations that are bound together in some formal or informal way and that display a certain amount of solidarity. One criticism of the network approach is that it has ignored the role of politics and culture in economic life.

2.4 Contributions Using Organization Theory

New economic sociology has successfully used organization theory to explore a range of important topics, for example, the structure of firms and the links between corporations and their environments. Nicole Woolsey Biggart's *Charismatic Capitalism* (1989), which deals with a very special type of organization, the direct selling organizations like Tupperware is a very good example of the use of organization theory in economic sociology. Three theoretical approaches in organization theory have been especially important in the development of economic sociology. They are resource dependency, population ecology, and new institutionalism.

The basic idea of resource dependency is that an organization is dependent on the resources in its environment to survive. As Ronald Burt has shown, the resource dependency perspective can help to understand how the economy works. He shows that three important factors affect profit, the number of suppliers, number of competitors, and number of customers. At the centre of Burt's work on resource dependency is his concept of structural autonomy, or the idea that a corporation has more ability to manoeuvre the fewer competitors it has and the more suppliers and the more customers there are. A corporation has more power if it is in a monopoly position and from the same idea it follows that suppliers as well as customers are less powerful the more competitors they have. If Corporation A, for example, has only one supplier and one customer, both of these can wield power over Corporation A. Using a huge input-output data set for U.S. industry, Burt has shown that the idea of structural autonomy has some support in empirical reality. Profits will be higher for a firm that has many suppliers, few competitors and many customers. According to Burt, such a firm has most "structural autonomy". The more structural autonomy a firm has, higher will be the profits.

According to population ecology perspective the main driving force of organizations is survival. It points out that the diffusion of an organizational form typically passes through a number of distinct stages such as a very slow beginning, then explosive growth, and finally a slow settling down, as shown by Michael Hannan and John Freeman in *Organizational Ecology* (1989). The Population ecology perspective, as opposed to resource dependency, uses as its unit of analysis not the single corporation but whole

populations of organizations. That these populations go through fairly distinct phases of growth and decline has been shown through a number of empirical studies, many of which are highly relevant to economic sociology since the organizations being studied are often economic organizations. Population ecology also looks at competition between organizations and the processes through which new organizational forms become accepted. The fact that population ecology typically looks at large populations of organizations means that relatively high-powered statistical methods are used.

The new institutionalism or neo-institutionalism perspective which is strongly influenced by the ideas of John Meyer and colleagues like Brian Rowan and Richard Scott is centred on the cultural and cognitive aspects of organizations. This new orientation propose that formal organization structure reflects not only technical demands and resource dependencies but is also shaped by institutional forces, including rational myths, knowledge legitimated through the education system and by professions, public opinion and the law. Organizations are deeply embedded in their social and political environments and organizational structures are often either reflections of or responses to rules, beliefs and conventions built into the wider environment.

A considerably higher degree of flexibility and creativity characterizes new institutionalism. The signature of new institutionalism has been a focus on the field level based on the insight that organizations operate amidst both competitive and cooperative exchanges with other organizations. A fundamental thesis in this approach is that rationality is often only a thin veneer and that organizations usually look the way they do for other than rational reasons. There also exist more or less distinct models for what a certain type of organization should look like, and these models are typically diffused through imitation. Meyer points out that organizations seem much more rational than they actually are and specific models for organizing activities may be applied widely, even to circumstances where they do not fit. New institutionalism has explored the "factors that make actors unlikely to recognize or to act on their interests" and also the "circumstances that cause actors who do recognize and try to act on their interests to be unable to do so" as observed by Paul DiMaggio in *Interest and Agency in Institutional Theory* (1988). Neil Fligstein's *The Transformation of Corporate Control* (1990) is a study of the large corporation in the United States that unites new institutionalism with traditional interest analysis showing that the multidivisional form of organization spreads, among other reasons, also because this organizational form made it easier for firms to take advantage of new technology and the emerging national market. According to Fligstein, U.S. corporations have created different concepts of control during different periods of time. By control, he means the general strategy that corporations follow for surviving and making money. For example, while cartels represented a common strategy around the turn of the century in the United States, they were later replaced by vertical integration, the idea of conglomerates, and other concepts of control. Fligstein

shows the famous multidivisional form was not only a response to the economic environment but also that it was diffused through imitation.

Frank Dobbin makes a similar point in *Forging Industrial Policy* (1994), but the emphasis in this study is primarily on regulatory or industrial policy cultures. Drawing on empirical material of a historical character from France, England, and the United States in the nineteenth century, Dobbin shows how each of these countries developed different regulatory and industrial policy cultures, and in particular how they treated railroads in different ways. The state, for example, was actively involved in the railroad business in France but played a more passive role in England and the United States. Dobbin argues convincingly that there exists no single best way of doing things in the economy, as mainstream economists seem to think; what may seem natural and rational to do in one country does not seem so in another.

Since new institutionalism has such a flexible core, it can be used to analyze a variety of topics, in contrast to population ecology, which is considerably more limited in scope.

2.5 Contributions using Market Analysis

New economic sociology has also made some interesting progress in the analysis of the market. The reason this topic has attracted quite a bit of attention among sociologists is that the theory of the market constitutes the very heart of mainstream economics; and to challenge mainstream economics one first and foremost has to challenge its theory of the market. Of the empirical studies that sociologists have produced, the most innovative may well be Mitchell Abolafia's *Making Markets* (1996). Abolafia has investigated three important markets on Wall Street (bonds, stocks, and futures markets) through participant observation and he has particularly looked at the way these are regulated. His major conclusion is that markets are social constructions and that regulation is related to "cycles of opportunism." When the existing regulation of a market is mild, opportunistic actors will take advantage of this fact, which will lead to a tightening of the rules; when regulation has been strong and effective for some time, demands are likely to be raised that milder rules should be introduced.

While most empirical studies of the market have focused on some aspect of the market rather than on its core, there are a few theoretical attempts by sociologists to explain the very nature of the market. Harrison White's work *Markets from Networks* (2002) is an example that concentrates on the market as the institution at the heart of capitalist economies. White shows that in a typical production market with only a handful of actors producing at similar prices the actors may watch each other and realize that they make up a market. Then they start behaving according to this perception. More precisely, it is by watching the terms-of-trade schedule that this process takes place; and

as long as the producers feel that they fit into this schedule, the market will continue to exist. By modelling his argument about the terms-of-trade schedule, White is also able to show under which theoretical conditions a market can come into being and when it will unravel.

While only a few attempts have been made to work directly with White's so-called W(y)-model, its general impact has been large in new economic sociology, especially through White's argument that a market comes into being when actors orient their behavior to one another in a role-like manner. The most suggestive of the studies that have been influenced in a general way by the W(y)-model is Neil Fligstein's *Markets as Politics: A Political Cultural Approach to Market* (1996). Like White, Fligstein uses the typical production market as his point of departure, but the emphasis in his theory is quite different. Market actors, according to Fligstein, fear competition, since this makes it hard to predict what will happen, and they therefore attempt to introduce stability into the market. This can be done in different ways, and for empirical illustration Fligstein draws on his study of the evolution of the huge American corporation (Fligstein 1990). In certain situations, competition can nonetheless be very strong, but this is usually accompanied by attempts to stabilize the market. As examples of this, Fligstein mentions the situation when a new market is coming into being, when a major innovation is introduced into an already existing market, and when some major social disturbance takes place.

2.6 Contributions Using Cultural Sociology

A group of economic sociologists is committed to a cultural approach, and many of them refer to symbols, meaning structures, and the like in their studies of the economy. Cultural economic sociology owes much to the work of its two most prominent representatives, Viviana Zelizer and Paul DiMaggio. The studies they have produced are of two kinds-general theoretical statements and empirical studies of a historical and qualitative character. Paul DiMaggio argues that analysis of the economy should include a cultural component but he is sceptical of a full-scale cultural analysis of the economy. Zelizer criticized "social structural absolutism" or the tendency of contemporary economic sociology to reduce everything to social relations and networks. The alternative tendency of reducing everything in the economy to culture or "cultural absolutism" is equally unacceptable to her. Economic sociology, she argues, needs to introduce culture and values into the analysis, while simultaneously paying attention to the social structure.

Zelizer has also produced three empirical studies in which she attempts to show the impact of culture and values on economic phenomena. In the first of these, *Morals and Markets* (1979), she looks at the development of the life insurance industry in the United

States, showing how difficult it was to get people to accept that an individual's life can be evaluated in purely monetary terms. Over time the economic emphasis came to dominate. Second, Zelizer published *Pricing the Priceless Child* (1985), which describes a similar movement, but this time in reverse. Children, who in the nineteenth century had had an economic value, would in the twentieth century increasingly be seen in emotional terms and regarded as "priceless." In her third major study *The Social Meaning of Money* (1994), Zelizer argues that money is not a neutral substance, but appears in a variety of culturally influenced shapes. People usually distinguish between different types of money. Money is not a homogeneous, asocial medium, as economists claim, but is social to its very core. Pin money, for example, differs from the kind of money that is set aside for ordinary expenses. When money is given away as a gift, an effort is usually made to disguise its nature as money. Zelizer thus successfully illustrates that there are "multiple moneys" according to the multiple objectives they serve.

2.7 Contributions Using the Historical and Comparative Tradition

A number of comparative and historical studies, bringing Max Weber's monumental works to mind, have been an ingredient of recent economic sociology. A few of the works already mentioned, like Zelizer's empirical studies, draw on historical material. Bruce Carruthers's *City of Capitals: Politics and Markets in the English Financial Revolution* (1996) is a study of finance in seventeenth- and eighteenth-century England that challenges Alfred Chandler's account of the rise of the large industrial corporation in the United States. (Alfred Chandler is a leading American business historian who propounded that large industrial firms have been the engine of growth in the emergence of successful models of capitalism.) Carruthers shows that "not only do economic interests influence politics, but the political interests also influence economic action". He used primary material on the trade in shares in the East India Company in the early 1700s to establish that political ambitions clearly influenced the choices of buyers and sellers and emphasized the state's role in the emergence of the large industrial corporation. He criticized Chandler's idea that recent advances in technology had made it necessary around the turn of the last century to reorganize the large corporation as a multidivisional unit.

Another important work is *Forging Industrial Policy: The United States, Britain, and France in the Railway Age* (1994) by Frank Dobbin. Dobbin argues that industrial policy in Britain, France and United States between 1825 and 1900 differed on important points. The tradition of safeguarding elite individuals in Britain helped to bring about an industrial policy that shielded the small, entrepreneurial firm. The tradition of a centralized state in France resulted in strong interference from the authorities in the

planning and running of the railroads. In the case of the United States, local self-rule and a weak federal state meant that railway regulation stressed on anti-monopoly policy and safeguarded private initiatives.

2.8 Interest Theory in Economic Sociology and the work of James Coleman

In 1985, the same year that Granovetter's essay on embeddedness appeared, James Coleman published a brief article in which he argued that economists have failed to include social relations in their analysis. In his *Foundations of Social Theory* (1990) Coleman attempted to reconceptualize interest theory in order to make it sociological. To him, it is not sufficient to speak of actors and their interests. "Resources" and "control" must be considered. Coleman argues that if an actor has something of interest to another, the two will interact and thereby create a social system. In Coleman's view, if actor A has control over a resource that is of interest to actor B, they will interact.

Trust, social capital and the modern corporation are topics of particular interest to Coleman. Coleman's idea of trust is different from that of Simmel's. Simmel saw trust as unthinking belief while Coleman sees trust as a conscious bet. One calculates what one can win and lose by trusting someone. Social capital, to Coleman, is any social relation that can be of help to an individual in realizing an interest. A firm represents, for example, a form of social capital-even if social capital is usually the unintended result of some action, undertaken for a different purpose. Finally, Coleman emphasizes that once people have created a firm to realize their interests, the firm can develop interests of its own. To Coleman, the firm is basically a social invention, and agency theory is particularly useful for analyzing it.

2.9 Contributions of Bourdieu and other European thinkers

Among the major European sociologists Pierre Bourdieu has shown the most interest in the economy, from his studies of Algeria in the 1950s to a recent work on the housing market in *Les structures sociales de l'économie* (2000b). Bourdieu's most important empirical study of interest to economic sociology-*Travail et travailleurs en Algérie* (Work and Workers in Algeria) (1963), is a rich ethnographic study. Here, he has shown the contrasts between the traditionalistic worldview of the Algerian peasants with the capitalist worldview of modern people. The peasants in Algeria have an intensely emotional and nearly mystical relationship to the land. In a society dominated by wage labour and capital, such a relationship with the land is unimaginable. Work is not directly related to productivity in Algeria since one tries to keep busy all the time. Money and exchange are seen as inferior to barter and credit is resorted to only in rare

circumstances such as personal distress. They prefer commercial ventures to industrial ones, since the risk involved is much smaller.

Bourdieu has developed a general approach to economic sociology that is an application of his general sociology, which is centred on the concepts of habitus, field and different types of capital. He has presented the idea of economy as a field as a theoretical alternative to the model of embeddedness. Bourdieu criticized Granovetter for ignoring the structural dimension embodied in the notion of the field. According to him, the economy can be conceptualized as a field, i.e., as a structure of actual and potential relations. Each field has its own logic and its own social structure. The structure of a field can also be understood in terms of its distribution of capital. Apart from financial capital, three other forms of capital are especially important: social, cultural, and symbolic. Social capital is one's social connections that are of relevance to economic affairs, cultural capital comes from one's education and family background, and symbolic capital are things such as goodwill and brand loyalty. The individual actors in the economic field bring with them their "economic habitus" or economic predispositions that relate their future actions to their past experience.

In Bourdieu's words the homo economicus is "a kind of anthropological monster" (1997, 61). His economic actor acts in a reasonable way but never in a rational way. Bourdieu's concept of interest is also important. It is that which drives the actor to participate in field. . In his words, "Interest is to 'be there,' to participate, to admit that the game is worth playing and that the stakes that are created in and through this fact are worth pursuing, it is to recognize the game and to recognize its stakes" (1998a, 77; cf. Bourdieu and Wacquant 1992). Indifference is the opposite of interest. Every field has its own interest, even if it hides as disinterest. He finds the economists' version of interest ahistorical. The economists are also wrong in thinking that "economic interest" drives everything. For Bourdieu, anthropology and comparative history show that the social magic of institutions can constitute just about anything as an interest. Economists commit the mistake of assuming that the laws of the economic field are applicable to all other fields in society. This is what Bourdieu terms "economism".

In *Distinction* ([1979] 1986), Bourdieu has discussed preference formation. This work also contains a new approach to consumption, a very important area in economic sociology today. In *Weight of the World* (Bourdieu et al. 1999) he looked into economic inequality and voiceless suffering that is so widespread in today's industrialized world. We may then see that there are two different approaches in contemporary economic sociology, the embeddedness approach and the field approach.

Luc Boltanski and Laurent Thévenot's *On Justification* ([1987] 1991) analyses the vital dimension of social interaction - the way individuals justify their actions to others instinctively drawing on their experience to appeal to principles they hope will com-

mand respect. The different ways that an action can be justified or legitimized is of potential relevance to economic sociology. A person who works for a firm may justify his behavior by referring either to efficiency or "the world of the market" or to loyalty or "the domestic world" and achieve very different results. Boltanski criticized the network approach as ideological and procapitalistic in *The New Spirit of Capitalism* (Boltanski and Chiapello 1999). Network theory has been strengthened by the work of Michel Callon who argued that not only individuals and organizations, but also objects, can be actors. A machine, for example, can determine what kinds of actions a machine operator has to perform and also how she is connected to other people in the process of production. Callon argues that economic theory often fits reality so well because it has helped to create this reality in the first place.

2.10 The feminist perspective in New Economic Sociology

Since the 1980s, a group of critical scholars have been waging a vigorous campaign against gender biased economic models and methodologies. The work of Viviana Zelizer, Paula England, Ruth Milkman and others have attacked the invisibility of women in mainstream economic sociology. As they contend, economic sociology as a field has yet to be sensitized about the gender dimension of economic life. The result is a treatment of gender as just another attribute of single decision-making economic actors instead of an organizing principle in social life. Elizer points out women pre-dominate non-market economic activities and so long as economic sociology does not expand its definition of economic activity, much of women's activity falls out of its sight. Paying due attention to gender would challenge single-utility functions in units such as households. A focus on gender would also mean raising questions about other categories of social differentiation like race and ethnicity in economic process. These differences form barriers to organizational activities that genderless and efficiency driven models cannot account for. The feminist perspective in economic sociology studies issues like occupational sex segregation and raises questions about workers choice, discrimination and the role of social norms. (Paula England, *The Gender Revolution: Uneven and Stalled*, 2010)

2.11 Conclusion

We can see that, rather than be contended with peripheral topics, new economic sociology is taking on key areas of economic life. It all started with work of Mark Granovetter in 1980's and the name, New Economic Sociology was his suggestion. Granovetter has centred his concept of embeddedness on social networks; and institutions, for him, are congealed networks. Others like Ronald Burt have made important contributions using network analysis and structural sociology. Organization theory with

its three theoretical approaches of resource dependency, population ecology and new institutionalism has also been successfully used in new economic sociology. There has also been contributions in the area of market analysis which was so long considered a core area for mainstream economics. Zeitler, Di-Maggio and others have used cultural sociology to emphasize the importance of culture, especially values in economic sociology. The historical and comparative traditions have also been used by quite a few like Dobbin and others.

James Coleman has made a good use of interest theory in new economic sociology. He considers resources and control to talk about actors and their interests. New economic sociology has also been enriched by the contributions of a number of European thinkers, most significantly, Pierre Bourdieu. Applying his ideas of habitus and field in economic sociology, he shows the economy as a field and economic predispositions of actors as their economic habitus. He shows how social, cultural and symbolic capital are also significant ideas to understand the economic field. From the feminist perspective, the gender-biased economic model of mainstream economic sociology has been sharply criticised in the work of the likes of Viviana Zeitler and Paula England. Therefore, new economic sociology today has grown into a thriving and broad sub-field with plenty of interesting work from various perspectives.

2.12 Summary

In the 1980's interest in economic sociology resurged with the work of Mark Granovetter who suggested the name new economic sociology. Rather than be contented with peripheral topics, new economic sociology is taking on key areas of economic life. Granovetter's uses the concept of embeddedness but for him embeddedness is centred on social networks. He also distinguishes between relational and structural embeddedness. To him, institutions are congealed networks. Many others like Ronald Burt have made important contributions to new economic sociology using network analysis and structural sociology.

In new economic sociology we also find the successful use of organization theory. Three theoretical approaches under organization theory, namely resource dependency, population ecology and new institutionalism are the most important ones in economic sociology. New economic sociology has made progress in the analysis of markets, a core area for mainstream economics. Abolafia's view of the market as a social construction and White's W(y) model are two of the many noteworthy contributions made to the study of markets by economic sociologists.

New economic sociology has also enriched contributions using cultural sociology. These works stress the importance of taking values and culture into the analysis while paying attention to social structure. Zelizer and Di-Maggio are the two most important

contributors who show the impact of culture and values on economic phenomena. A number of notable studies also use the historical and comparative tradition like Dobbins's work on the development of railroads in France, Britain and The United States and Carruther's work on finance in seventeenth and eighteenth century England.

In James Coleman's work we find a good use of interest theory in new economic sociology. He shows that resources and control must be considered while talking about actors and their interests. He conceptualizes trust as a conscious bet and social capital as any social relation that helps an individual to realize her interest. A firm can develop its own interest after being created by people to realize their own interests in the beginning.

A number of European sociologists have contributed to new economic sociology, most prominent among them being Pierre Bourdieu. He bases his economic sociology on the application of his ideas of field and habitus showing the economy as a field and economic predispositions of actors as their economic habitus. Apart from financial capital, the other forms of capital namely, social, cultural and symbolic capital are also of significance to the understanding of the economic field. To Bourdieu, human beings are not rational actors but reasonable actors. He also analyses the concept of interest as the interest to participate. He has also discussed in depth preference formation and the role of consumption in today's industrialized world.

The feminist perspective in new economic sociology has attacked the gender-biased economic models in mainstream economic sociology. Viviana Zelizer and Paula England point out that gender must be seen as an organizing principle in social life. Because women's work predominates as non-market activities most of women's activity falls outside the view of mainstream discussions of the economy. This perspective raises questions about issues like discrimination, sex-segregation in occupations, role of social norms and worker's choice.

In the end, we may aptly remark that new economic sociology is now a sub-field with a steady flow of interesting work. It is an area which has been enriched by contributions from different theoretical perspectives that have broadened its scope in research and methodology

2.13 Questions

1. Explain Granovetter's concept of embeddedness.
2. Write a short note on the resource dependency perspective in new economic sociology.
3. Examine the significance of the population ecology perspective in new economic sociology.

4. Show how cultural sociology has contributed to new economic sociology.
5. Assess James Coleman's contribution to new economic sociology.
6. Elucidate Bourdieu's idea of the economy as a field.
7. Discuss the rise of feminist perspective in new economic sociology.
8. Write a note on the contributions to new economic sociology that use the historical and comparative tradition.
9. Explain the relevance of cultural approach in new economic sociology.
10. Write a note on the new institutionalism approach in economic sociology.
11. Why is network analysis important in new economic sociology?
12. Show how the application of organization theory and market analysis enriched new economic sociology.
13. Narrate in detail the contributions of Bourdieu and other European thinkers in the area of new economic sociology.

2.14 References and Suggested Readings

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UNIT-3 : Reciprocity and Gift

Structure of the Unit :

- 3.0 Learning Objectives
- 3.1 Introduction
- 3.2 Forms of Exchange
 - 3.2.1 Reciprocity and Gift
 - 3.2.2 Fundamentals of Gift Exchange
 - 3.2.3 Types of Exchanges
 - 3.2.4 Types of Reciprocity
 - 3.2.5 Theories of Reciprocity
- 3.3 Conclusion
- 3.4 Summary
- 3.5 Questions
- 3.6 Reference
- 3.7 Glossary

3.0 Learning Objectives

To understand the following:

- The significance of reciprocity and gift as a form of social exchange.
- The forms of exchange
- Types of exchanges and reciprocity
- Theories of reciprocity

3.1 Introduction

It is important for us to study forms of exchanges as it will give us a definite direction to how society functioned in the pre-monetary era and how and why they are still existing in some parts of the world. Since forms of exchange holds a central position in sociology as it gives us clue as to how and why people interact, it is important to see the historical evolution of these forms of exchange; especially from socio-economic to purely economic forms of exchange.

With the invention of monetary forms of exchange, the ancient modes of exchange via kind and barter system almost ceased to exist. Yet some of those means of exchanges are still in practice in places where money isn't used extensively and people still carry on barter system of exchange as a mode of daily socio-economic transactions. In every society, these means of exchanges exist in one way or the other and based on these, we can divide the societies into primitive and modern. These modes of exchange didn't only function as an economic mode, but strengthened social cohesion, influenced social interaction and promoted the culture of interdependence.

3.2 Forms of Exchange

The concept of exchange is one of the key concepts in anthropology and sociology which helps us to shed light on the concerned social system and social structure. While defining what exchange is, there is a dilemma regarding how to define it. To put it simply, exchange is the transfer between two social actors of things which contain some social prestige. It can be human (marital alliance) or animals (ritualistic exchange), material or immaterial goods and other important things. Classical anthropologists and modern social thinkers agree to the point that the only thing that can be exchanged is the things which have become detached from individuals or social groups, although there is a considerable amount of difference of opinion regarding what can be exchanged. The general idea is one partner, who is basically a giver possess an item of supreme value which he/she can give away and another person is in dire need of that particular item and thus the second person is ready to part away with a gift of equal importance which he/she can do without to the former in exchange of the item he/she needs.

When it comes to defining modes and forms of exchanges there is a stark contrast between social anthropologists and economic anthropologists. From an economic anthropological perspective, modes of exchanges are diverse and are shaped by time and space. On the other hand, social anthropologists define market exchange as a trading mechanism involving monetary exchange based on a supply-demand mechanism. The word "Exchange" refers to transfer things between two social actors in the form of material and/or non-material beings, cash or kind or any items of moral or material value. The actors involved in this act of exchange may be an individual, a group, a community and even a spiritual being. There are in general two modules of exchange-economic exchange and social exchange, which is the ideal type in any given society. However there is a difference in the approach. In a non-market economy, where the economic motive or gain is not a priority, economic exchange coupled with the social gain is visible. However, when it comes to market economy, the social exchange is mostly missing, except in certain cases when gift exchanges happen between close acquaintances. Modern day economy focuses majorly on market exchange as the only mode of distribution of material goods. Most of them ignore the concept of "reciproc-

ity" and "redistribution" as the two other components of exchange for the reason they have a different underlying logic, in contrast to market economy.

3.2.1 Reciprocity and Gift

Reciprocity refers to exchange of goods and services which is deep-rooted in mutual obligation and identity. To put in simple terms, in case you receive a gift, it's your obligation or duty to repay with another gift to the sender. Reciprocity involves a constant sequence of giving and receiving gifts. Reciprocity is commonly seen as a mechanism which binds the family and friends together, instilling a feeling of belonging. In case one party declines to give or receive gift, it will be seen as a rejection of the reciprocal relationship. One thing needs to be remembered, reciprocity doesn't mean redistribution of the social wealth, neither does it involve the fact that whoever is receiving gifts is getting richer. It only means circulation of goods and services involving no economic loss, but more of a social gain.

3.2.2 Fundamentals of Gift Exchange

Before we begin with the theories of reciprocity and gifts, it is very important to understand the fundamentals of gift exchanges to understand what gift means in actuality. Anthropologist Jonathan Perry said that the nature of gifts, the practice of gift exchange and its economic importance have been largely shrouded by the modern, western, market-based economic system which discuss gift exchanges as something cross-cultural, pan-historical and a universal process. But various cultural and historical analysis of exchange systems have proved that no universal form of exchange system exists. Moreover when we are speaking of gift exchange in a non-market society we cannot ignore the distinctive features it has in contrast to exchanges in market society. It must be remembered that gift exchange in non-market society is mostly embedded in political, kinship or religious institutions and doesn't fall into the definition of economic institutions per se. (John F. Sherry, 1983)Some of the fundamental features of gift exchanges are:

- Gift giving is considered a type of transferring property rights over the particular objects. These property rights vary from society to society, and is based on cultural differences. It is not a universal phenomenon, it has different degree, dimension and importance based on social and cultural differentiations. Property, in this case, is not a thing but a relationship among people bonding over the particular object.
- There is a principal difference between gifts and prestation. Marcel Mauss in his theory said that gifts are not exchanged between individuals but between representatives of large groups. He considered these gifts as prestation- means a

service being provided out of obligation. These gifts were not alienable commodities but instead possessing a reputation and identity of the particular kin group.

- Annette Weiner, who was an anthropologist and visited the Trobriand Islanders saw that the society was essentially matrilineal and maximum of the political and economic power is vested in the hands of women. Moreover she extended Mauss's idea of reciprocity to the idea of "inalienable possessions" which refers to the paradox of keeping while giving away gifts. She talks about moveable goods which can be exchanged with immovable goods which will draw back the gifts. Specific groups which carry the group identity cannot completely be alienated, but that is visible in handful of tribal kinships only.
- Australian economic anthropologist Chris Gregory argued that reciprocity is a dyadic relationship characterized by gift giving. He brings forth an interesting concept, gifts are given to friends and potential enemies in order to establish a relationship with them, and by giving the gifts the giver keeps the receiver in debt. He also mentioned that there must be a sufficient time gap between the gifts given and returned, or else the relationship won't stand any chance.
- Jonathan Perry observed that in some countries like India giving gifts with no possibility of return in mind can be deemed poisonous; places the recipients in debt as long as he is not returning the gifts. The notion is the gift contains the sins of the giver when given to priests also marks him with all sorts of "impurity" that can only be purged by giving something in return.
- There are a number of societies where there is a strong objection regarding turning the gifts into a piece of trade exchange and other capitalistic purpose. An instance is the Uduk tribe of northeast Africa where the norm is if in any case the gift is crossing the boundaries of the sub-clan, it must be immediately consumed rather than being used anywhere else or used as an investment. Another example is among the hunting-gathering tribes of Brazil; if someone has hunted down an animal they will share the meat among the other kin over a feast.

3.2.3 Types of Exchanges

a. Barter system- It is a direct form of exchange of goods and services, i.e, an exchange can be made in goods for goods, services for services etc. This exchange system was the most prevalent before being replaced by money.

b. Silent Trade- Silent Trade is a unique forms of exchange where there is no face to face interaction among the exchanging parties. The parties could either be antagonistic to each other or have a feud. Once group leaves a certain quantity of goods at a fixed place which is replaced by the other goods brought in by the other group in exchange.

The pygmy of Semang or the Vedda and the Sinhalese of Sri Lanka practice these mode of exchange.

c. Jajmani System- William H. Wiser in 1958 introduced the term Jajmani system in his book, "The Hindu jajmani system: a socio-economic system interrelating members of a Hindu village community in services"(Wiser, 1958). This is a mode of exchange prevalent among the caste groups in India in an agriculture based system of production and distribution of goods and services. It is a reciprocal socio-economic arrangements among families of different castes within a village community in India for exchanging goods and services. One family exclusively provides certain services to the other family like providing agricultural labor or ministering rituals in return for safety and payment. These relations continue from one generation to the next and payment is generally made in the form of a fixed share of the net harvest. The Jajmani system involves the land owning dominant caste families called the *jajmans* and the occupational castes called *kameens* in North India and panolluin Andhra Pradesh.

d. Ceremonial Exchange- A type of social system in which goods are given to relatives and friends on various social occasions. The main motive behind this was to establish a cordial relation between the various social groups.

e. Potlatch- This means a public distribution of goods to establish certain claims of the giver and the recipients. It is founded on the fundamentals of reciprocity. The host, through this system declares his/her status to the others.

3.2.4 Types of Reciprocity

Marshall Sahlins: The General Theory of Exchange

Popular American cultural anthropologist Marshall Sahlins identified three typology of reciprocity- generalized, balanced and negative in his book *Stone Age Economics* (Sahlins, 2017). Claude Lévi-Strauss in his book *Elementary Structures of Kinship* used the concept of reciprocity as one of the fundamental principles in the post-war era. He showed that both the western type of economic activities and primitive mode of exchanges occur in primitive societies. To him, there is a wide spectrum of reciprocities, ranging from simple and gracious gift giving on one hand to exploitative exchange relations on the other hand. He divides the two extreme exchange relationships with a mid-point into three categories shown below. He states that the material features of the transaction is suppressed by the social structure. Giving gifts to closed and loved ones doesn't come with a counter obligation apparently, and it doesn't even have stipulated quantity, quality or time. Expectations of reciprocity can go up for an indefinite period. The time and value of reciprocation is not measured only by what gift was given but also upon what would he need and the timeline and the amount by which the recipient will pay back.

i. Generalized reciprocity

When in a mode of exchange there is no calculation of the value the gifts or the things exchanged and it doesn't involve any immediate pay back of services. It is called generalized reciprocity. For example, if you buy a cup of coffee for your friend. This kind of generalized reciprocity takes place among close kin or friends. Generalized reciprocal exchanges are seen as a form of social security; it involves a mutual sharing. Since this kind of act doesn't involve profit or being paid immediately in return, it is often regarded as an act of altruism.

ii. Balanced Reciprocity

Unlike generalized one, balanced reciprocity involves exchanges of goods and services within a specific time period keeping mind the gains. In this types of exchange it is expected that once a gift is received, something of equal value and importance will be returned within a specified time. It is carried out in three major ways, first a gift will be given, then the receiver must acknowledge it and finally a reciprocal or a gift of an equal value must be returned. In case the specified time period is over and no gifts are exchanged, the social relation may end with the failure of the exchange system. This kind of reciprocal relationship takes place within closed social acquaintances and usually outside the family. For example the Kula ring system among the Trobriand Islanders of the South Pacific area is an example of balanced reciprocity. In this kind of exchanges necklaces of shells and beads are exchanged in return for shell arm bands or mwali between the trading partners. The items exchanged have symbolical value and bestows honor and prestige on the receiver, albeit temporarily, but cannot be bought or sold. It lies above the concept of monetary exchange. Bronislaw Malinowski who studied the Kula exchange system stated that the gifts exchanged helped solidify alliances between the two participants and have supreme political importance. In case of any social crisis or danger or insecurity, the allied parties would work together to solve the issue.

iii. Negative Reciprocity

Negative reciprocity happens when one attempts to get something in return for nothing. This kind of reciprocal relationship is the most impersonal among the three as it is mostly seen among people who are complete strangers. It occurs when an action which has negative effect on someone is countered by another approximate negative action upon another person. A typical example of negative reciprocity is punishment of an offence under the law. Generally a nation lays down law regarding what are we allowed to do and where the line of limit lies. It also states what the range of punishments are if the law is violated. In that sense punishments are awarded by judging the seriousness of the crime, neither a notch higher nor lower.

He enumerated the importance of the above three typologies by stating that different social structure under different circumstances encourage one or more than one typology to function. The mode of exchange is conditioned by the social distance between the two exchange conditions. Social distance is measured by social values and social interests and by the degree and density of social interactions. He examines his reciprocal system in relation to a particular social distance- the kinship system and he wanted to demonstrate that the degree of reciprocal exchanges is associated with proximity among kinship relations in case of generalized and balanced reciprocity and negative reciprocity becomes prominent where the kinship relation reduces to an almost non-kin no-encounter relationship.

3.2.5 Theories of Reciprocity

a) Bronislaw Malinowski and The Kula Ring Exchange

Bronislaw Malinowski, the founder of ethnography, studied the ritual of the Kula Ring Exchange among the tribal communities of Papua New Guinea. The ceremonial Kula exchange and Bronislaw Malinowski's thoughts and ideas influenced a number of anthropologists later on including Gouldner, Sahlins and Mauss. The theory of Kula Ring is regarded as a classical example of studying the basic differences between commodities and gifts, between social and economic exchange. He categorically argued against reducing the importance of the ceremonial exchange to mere economic trade relation, and in place emphasized the socio-psychological functions of it. But at the same time he didn't overlook the relationship between ceremonial and economic exchange. He said, "barter of goods and services is carried on mostly within a standing partnership, or is associated with definite social ties or coupled with a mutuality in non-economic matters. Most if not all economic acts are found to belong to some chain of reciprocal gifts and counter-gifts, which in the long-run balance, benefiting both sides equally". (Malinowski, 2014)

Malinowski conducted his ethnographic studies on the type of customary exchanges prevailing among the Trobriand Islanders. He saw that bracelets and necklaces were exchanged as a part of the system of exchange, the Kula Ring Exchange. The word "kula" refers to the trend of ceremonial gift exchange as a part of earlier trading system or a prelude to it prevalent among the Pacific communities. Eighteen communities residing among the Massim archipelago in the Pacific region have this tradition among them. This ceremony involves a large number of individuals travelling through canoe crossing hundreds of miles with the purpose of exchanging Kula. There is a north-south variation in regards to the type of gifts exchanged. Malinowski studied the exchange pattern and stated that the entire process is carried out in the form of a ring, from one island to another. Veigun or Soulava were the valuables traded to the north which were

red shell-disc necklaces. Mwalior white shell armbands were traded to the south. Necklaces are moved in clockwise direction while the armbands are moved in anticlockwise direction. If the opening gift was the necklace the closing gift would be armbands and vice versa. Kula exchanges of valuables were also linked to trading other items called gimwalior barter. Malinowski questioned the cultural importance behind the object of exchange and most importantly the rationale behind their effort and decision making by asking a very pertinent question in his book *Argonauts of the Western Pacific* (1922). He asked, "why would men risk life and limb to travel across huge expanses of dangerous ocean to give away what appear to be worthless trinkets?" Malinowski stated that this kind of exchange was socio-political in nature.

One thing is worth mentioning here, the structure of the Kula ceremonial exchange is neither the creation of any particular actor, nor is there a central political authority laying down rules to carry out the act. It has been in vogue since generations with an underlying socio-political and economic features. The Kula valuables were exchanged keeping one's social status and prestige in mind. The ceremony is characterized by ancient customs and rituals, accurately and traditionally followed to establish strong and durable relationships among the parties exchanging gifts. The Kula exchange is not an anonymous exchange as found in modern market system, but is a partnership system which is passed on to the heirs of the participating parties which in return depicts the stability of the exchange relationships. One's social rank depends upon the number of exchange partners one have and also the distance he travels for carrying out the exchange. Establishment of new partnerships rests on the principle of delayed reciprocity in which any one of the partner delay the exchange items beyond the allotted timeline or the possibility of intermediary gifts where an intermediate exchange adds up to the ceremonial exchanges. It is to be noted that a recipient cannot inherit a Kula valuable for long, it must be passed to other partners after a certain amount of time.

There is a social hierarchy attached to the number of Kula partners one have. Those who hold important social position have more than hundred Kula partners while those who are placed in a comparatively lesser position have partners less than a dozen. From a sociological standpoint we see differences in the way Kula valuables are used. In areas of higher hierarchy, one can earn their own shells for their absolute ownership which is called *kitoum*, as is visible among the Muiuw tribes. In areas where hierarchical division is not steep, matrilineal kin have the authority over the Kula valuables. Another difference is in the hierarchical areas the Kula bracelets and other valuables are used for external exchange only, while in areas of less hierarchy items like stone or blades are used for internal purposes. The partners may lose internal claims over their items. That is why they prefer hierarchical areas for exchange making the chiefs the most important receiver. The Kula exchanges are saved for external trade by the chiefs

while the traders from the less hierarchical areas prefer trading them before they lose their claim on those items. This formed the basis of the entire Kula exchange. The main function of the Kula exchange is to establish a social network of peaceful, durable and stable relationships among the stateless tribal societies, create a social order and to spread economic trade relationship among them.

b) Marcel Mauss: "The Gift"

Marcel Mauss was a famous French anthropologist who is well known for his book *The Gift*. Nephew of Émile Durkheim, he influenced a number of anthropologists including Claude Lévi-Strauss who was the founder of structural anthropology. Mauss bridged the gap between sociology and anthropology and discussed the topics of exchange, gifts, magic, and sacrifice at length in his work by combining both the perspectives.

His seminal book, *The Gift* gives us a detailed comparison of the gift exchange traditions among the vast numbers of primitive culture. In his work he outlines not only how exchanges of gifts have an economical, moral, religious, and juridical and other multi-dimensional approach but also the existence of structured communication pattern. (Mauss, 2002) Mauss defines the concept of gift exchanges in his books through the following themes:

- i. Gifts exchange and the compulsion to reciprocate
- ii. The extension and expansion of this system
- iii. How ancient laws and economy reproduced the principles of exchanges.

What Mauss tried to show is that gifts are not free in any society, it comes with an obligation of reciprocation. He asked an important question which compelled him to do an anthropological enquiry, "What power resides in the object given that causes its recipient to pay back?" He approached his theory of exchange based on a number of questions regarding:

- a. The social understanding of people's nature and their relationship to other human being
- b. How does the gift exchange reveal and reconstruct the social understanding regarding the nature of an object?
- c. How does the transactions recreate an understanding of the people and their relationships?

Mauss argued that in a society, all social phenomena are linked to each other and therefore form a total whole and all social institutions are expressed through this social whole. One important and major part of this whole is the gift. (Carrier, 1991) In primi-

tive societies gifts once received should be paid back or else the whole context of the social whole will break down. Mauss didn't fully support Malinowski's theory on exchange where he said that the Kula exchange reflects the transaction pattern of modern industrial society, carried on in between two rationally motivated individual with some self interest in mind. Instead he went one notch higher and used comparative analysis to study the exchange system. He saw two different types of exchange- one is gift exchange prevalent among the tribal communities of New Zealand, Pacific Northwest and Eastern Melanesia. Kinship and closed group relations characterize these societies which also influence their transaction relations and obligations to each other. In this sort of transactions object is at the center of the giver and receiver, tying them and binding them into a relationship. The next form of exchange Mauss talks off is commodity exchange. This kind of exchange is found in industrial societies marked with class divisions and division of labor. People who enter into this exchange relationships are motivated by self-interest and have no obligation to be in a long term relationships with the party or individual they are doing exchange. Objects are considered one's private property in this exchange system and carries use value and exchange value. Mauss initially described the two exchange systems as belonging to two different societies, but soon saw them as co-existing in the same society.

Mauss's main intention was to come up with a theory concerning objects, people and social relations, and their interrelationships, how they are made and recreated in regular transactions. Here Mauss differs from Malinowski when he says that people are not always independent and meticulous being as Malinowski pointed out, instead he points out that individuals are experienced in some kind of exchanges by societal norms. Objects are not necessarily neutral and relationships are not impersonal in certain cases. Mauss talked about gift as either an object or a service, having either utilitarian or no value which is transacted as a mark of social relations in stark contrast to monetary relations. Mauss drew a comparison between gifts and commodity exchange on the basis of three points- obligatory transfer, inalienable services or objects and parties transacting on the basis of relational and mutual obligations. These three elements designate the degree and the manner of the obligation to transaction, the link between the objects transacted, who are transacting and the relationship between the transactors.

3.3 Conclusion

Therefore we see that gift giving in non-market non-monetary societies is a process that integrates society promoting social solidarity. Many anthropologists view this system of giving gifts as a verbal gesture of social interaction. Gift contains a symbolic meaning and exchange or transaction of gifts is a mode of expressing that symbolic meaning, a cultural dynamics. Gift giving them becomes a vehicle of social responsibil-

ity and political movement. Social bonds are forged and reciprocation is encouraged through exchange of gifts. It is also used in the context of shaping and strengthening social cohesion. In this framework, the work of Marcel Mauss remains the most fundamental to study the patterns of gift giving. He considered gift giving a prototype of modern day contract. Mauss considered gift as a social fact and based on this idea, Lévi-Strauss expanded the importance of gift giving through some other cultural dimensions. Gouldner considered gift giving as culturally embedded process- a threefold structure of giving, receiving and reciprocating. The different dimensions of gifts such as quality, worth are devised in order to maintain, moderate or dissolve relationships with any individual or groups. Schneider stated that there is a ritualistic interpretation of setting the boundaries of potential gift exchanges. They express our relationship with other individuals or groups as we neither give gifts with everyone nor do we receive from all. It is worth mentioning that the value of a gift given or received measure the depth and intensity of our relationships with others.

3.4 Summary

We have seen that It is important for us to study forms of exchanges as it will give us a definite direction to how society functioned in the pre-monetary era and how and why they are still existing in some parts of the world. We have discussed in this unit, forms of Exchange, Reciprocity and Gift, Fundamentals of Gift Exchange, types of Exchanges , types of Reciprocity and the theories of reciprocity. We conclude that therefore we see that gift giving in non-market non-monetary societies is a process that integrates society and promotes social solidarity.

3.5 Questions

1. Answer briefly (6 marks, total 6-8 questions)
 - i. What do you mean by the term exchange?
 - ii. What do you mean by reciprocity?
 - iii. What is generalized reciprocity?
 - iv. What is negative reciprocity?
 - v. What do you mean by barter system?
 - vi. What is Kula exchange?
 - vii. Name some tribal communities where gift giving is still prevalent.
 - viii. How did gift exchange result in cultural exchange?
 - ix. What is silent trade system of exchange?

- x. Name two anthropologists and their works associated with the theory of reciprocity and gift.
2. Answer in detail (12 marks, total 5-6 questions)
- What are the fundamentals of gift exchange?
 - Define Jajmani system. What are the reasons behind the abolition of the Jajmani system?
 - What are the different types of exchange?
 - Why Kula exchange is considered an important socio-economic exchange system?
 - How Mauss defines his concept of Gift?
 - What is the difference between balanced and negative reciprocity?
3. Essay Type questions (20 marks, total 3-4 questions)
- Define Malinowski's theory of Kula exchange
 - What are the different features of Jajmani system?
 - What are the different form of distribution of goods and services among the simple society? Describe their components briefly
 - Explain Mauss's theory of exchange. Where did he differ from Malinowski's theory?
 - How are the ancient forms of exchange different from the modern monetary system?

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3.7 Glossary

Reciprocity and Gift : The earliest modes of exchange in society is reciprocity and gift. Reciprocity refers to non-market non-monetary exchange of goods or labor which ranges from barter system to gift exchange. In gift exchange there is always an expectation of return. In barter system, there is immediate exchange.

Marshall Sahlins classified three types of reciprocity- generalized, balanced and negative. His typology can be bracketed under domestic mode of production and is largely based on kinship. He maintained that these kinds of reciprocities are only visible in those cultures where there is no formal socio-political organizations like State.

Kula Exchange is one of the earliest modes of gift exchanges carried on among the Trobriand Island people in Southeast Melanesia. Here those who exchange gifts are permanently bound to do so following an elaborate ceremonial pattern and a pre-designated trade route. Bronislaw Malinowski has described the Kula Exchange system elaborately.

Jajmani system is the typical exchange ritual which took place in India. This was found among the lower caste people who performed various tasks and services for the upper caste people in return for grains or goods. This was an occupational division of labor between two or more families who would serve each other through generations.

UNIT-4 : Money as a form of Exchange

Structure of the Unit :

- 4.0 Learning Objectives
- 4.1 Introduction
- 4.2 Talcott Parsons
 - 4.2.1 Karl Marx on Money
 - 4.2.2 Georg Simmel
 - 4.2.3 Polanyi and Money Exchange
- 4.3 Conclusion
- 4.4 Summary
- 4.5 Question
- 4.6 References
- 4.7 Glossary

4.0 Learning Objectives

To explain the following:

- To give an idea about money as a form of exchange.
- To give the theoretical stand points on money as a medium of exchange
- To discuss the classical tenets of Karl Polanyi

4.1 Introduction

In the preceding section we studied about exchange rituals society which belonged to the pre-monetary age and how it defined social institutions and culture. In this section we are going to learn the evolution and introduction of money as a mode of exchange and how modern society evolved around money giving birth to new social institutions and new forms of exchange.

Money, if defined in simpler terms, refer to the payment or transfer of cash or coins from one party, called the payer to another person, called the payee, often with certain rate of interest which is predetermined. It has its own identifiable unit called denomina-

tion. The modern market system is based on the circulation of money and monetary exchange. Existing social science literature talked of money as a mode of exchange but didn't throw much light on the characteristics of money. It is believed that modern sociological thought took for granted the conception and presence of money, thus ignored its theoretical undercurrents. George Herbert Mead once argued about money that, "the media of these tokens of wealth are, then, in this process of exchange just such gestures or symbols as language as in other fields." Mead equated money to language. He said that money talks and it possesses a meaning of its own. Yet, a major part of sociology which shaped an intellectual discourse for understanding modern society, missed out discussing money as its main factor. It has described the concept of money on a very generic term, the cultural or socio-psychological effects money have on a society and with the dialectics of owners and the exploited concerning it. Nobody has focused on the social production of money.

For a large spectrum of time, money was considered simply an economical term, and any problem concerning money was an "economic problem"; society being completely marginalised from the discussion of money here. It was only about abstract definition and generalization of money. It would have continued for long if economics was able to bring up with a concrete analysis of problems concerning money. Economic analysis heavily relies upon the functions of money which was detailed out in the late 19th century and it has continued in that way till today. The basic functions of money are:

- i. It is a medium of exchange in market society
- ii. It has its own way of measuring value
- iii. It is a means of payment

Money evolved, according to general conception as a response to an inefficient barter system and as a solution to reduce transactional costs among the individual parties. It is needless to say that these two ideas were baseless and flawed. Many primitive societies till today thrive on barter system, and gift exchange in place of monetary transaction is still the order of the day. This kind of gift exchange involves no basic transaction costs except the social one, where reciprocity and social cohesion are given major importance. Macroeconomics and major economic theories on money are mostly concerned about how to measure the quantity of money and how to monitor its supply but none of them have been able to come to a consensus about which is money's most ultimate, important and conclusive functions and how they function in a particular society. The reason for this can be attributed to the intellectual division of labor between economics and other social science, especially sociology which largely disagreed on methodology and approach. That is why money became strictly an economic idea and it was only in the latter half of the 19th century sociology and other social scientists became aware of the non economic conception of money and the need to discuss it from sociological perspective. (Baldwin, 1971)

Thus we see that it was the difference in methodology which alienated economic theory from sociological theories. The natural science model dominated and shaped economic theory resulting in it adopting positivist methodology and proposing a marginal utility theory depending on individual rational choice and the equilibrium model of a perfectly competitive market. The concerned economic theory discussed these concepts on the basis of conceiving a system which comprised of exchange between commodities mainly expressed in monetary terminologies established as individuals making rational and utilitarian calculations. The commodity theory posited money as a medium of exchange when there is a commodity that has an exchange value independent of the commodity as "money". These economic conceptions of money had disastrous effects on a number of historical or social sciences. A need to discuss money economy in the line of history, sociology or anthropology was thought upon. Here we will be conducting the sociological discussion of money. The recent sociological thoughts on money talk in two main categories- economic authorities and division of intellectual labor. Likewise the theories were also divided along these two broad typologies-the social and cultural aspects of money economy, especially money and modernity and the neo-Marxist studies of financial capital and banking system. Sociology has borrowed its theoretical conception of money broadly from the functional theory of the orthodox economy. These theories consider money chiefly as a medium of exchange, as a "neutral" medium which symbolizes the commodities of the real economy and alternatively as a value that confers power.

Money, when functioning as a mode of economic exchange as well as a mode of communication, has a reciprocal relationship with the social context in which it is placed. In other words, money as a social mechanism has certain salient features and impact its immediate social setting. Money when defined sociologically from exchange perspective has a number of characteristics. The first feature is that money in its purest form has an intrinsic utility. In economics, money doesn't have any use value; it only possesses exchange value- valued when accepted by others. Suppose there are two parties A and B, both should possess something which the other wants and the goods must possess equal value. If the party A is unable to exchange a good of equal value with B, he exchanges it with money thereby equating an otherwise unequal exchange. Therefore we can say the difference in exchange value of the goods is measured by money.

Money brings certain consequences in the social setting it is placed. Similarly a particular social structure shows how money will be used. A sociological perspective of the function of money as a mode of exchange will give us a valuable insight which includes Talcott Parsons, Karl Marx, George Simmel and Karl Polanyi's theories. Let us look into the work of some classical theories.

4.2 Talcott Parsons

Talcott Parsons in his early works talked about how the intellectual division of labor was created and merged in between the disciplines of economics and sociology. He maintained that sociology succeeded in maintaining its unique take on the concept distinct from economics. Later on in his monumental works *The Social System* and in *Economy and Society* which he co-authored with Smelser, he talks about money's position as a symbolized and generalized medium of social interaction (Parsons 1950; Parsons & Smelser 1956). Money, in the sociological definition, was likened to language as it, like the latter enabled the functional integration of different parts of the social system; similar to the economic conceptualization of it as a medium of economical exchange through prices and as a means for the flow of commodities in the market. On the other hand, when he talks of money as a symbol, sign or vehicle, money is seen as a neutral entity which doesn't have any direct linkage on the underlying composition of real social and economic system. Parsons is influenced by neoclassical economy which says we can realize the true value of something only when it's exchanged, but at the same time he maintains that money only symbolizes the value and as a symbolic medium it is itself without value. For Parsons, money didn't hold as much importance to the sociologists as to the economists and he believed that it should be left to economy as he was sure of "the essential soundness, from a sociological view, of the main core tradition in economics"(Ingham, 2013) According to Parsons, money as a medium of communication must have four characteristics. They are:

a. Structural characteristics

Money is used as a code for transferring information. As a medium of exchange it allows generation of and communicating the symbolic expressions and has an in-built preference structure. Money helps in shaping our opinion to an offer and makes us to go for it. But one thing must be remembered, acceptance generally doesn't guarantee a claim to validity or longevity of the object. These behaviors are defined by interests. The participant's action is defined by a generalized value and they are only oriented towards the consequences of actions.

b. Quality characteristics

The medium must be of such quality that it can be stored even if it is measured and sold in any scale. It should be of such quality so that all the participants can refer to its objective quantity.

c. Structure of claim and redemption

Money is neither considered a factor in production, nor is it a good; it symbolizes the amount in value. But money doesn't possess any intrinsic value. In case of money as a medium, the nominal claims or codes are redeemed in use values. That means the value

of the money is asserted when it is used as an exchange item. Monetary assets are covered by deposits and are finally controlled by the concerned institutions. Parsons deemed this an important characteristic because money only functioning as a medium won't be able to garner trust.

d. System forming effect.

In short, the dynamics of inflation and deflation depends on how money successfully forms a subsystem within a social system. Parsons said that the reflective upgrading of the medium makes the capital market possible.

4.2.1 Karl Marx on Money

Karl Marx is one of the prominent figures when it comes to discussion of money as a mode of exchange. Marx bases his discussion of "money" through his criticism of classical political economy from the perspective of alienation of the labor. He said that money is not just a symbolic medium of economic exchange; it also alienates the value as a means of domination of the bourgeoisie over the proletariat. According to him money is the mode by which class power is exercised, but money doesn't provide the actual social power since control of production of credit money in a financial system is not the autonomous source of class power independent of the ownership and control of the means of production of commodities. Marx was of the opinion that money as a "symbol" has an important function- to "veil" an "underlying reality". Marx's view on money is very similar to the theory of commodity of classical political economy where he draws an analogy between gold and money to show the function of money in capitalistic societies. He mentions it in perspective of classical political economy, "Gold confronts other commodities as money only because it previously confronted them as a commodity... It acts as a universal measure of value, and only through performing this function does gold... become money" (Marx, 2018) Money in other forms such as trade credit, bank notes, and exchange bills will then only be considered money when they "represent" something precious which can be broken down to a fixed ratio and quantified and at the same time exchange of real commodities in actual production and circulation takes place. This concept of money carries the mark of Marx's labor theory of value. To him, precious metals can function because of money since there are huge numbers of labor who are involved in mining and minting of the metals. He wrote, "Gold can serve as a measure of value only because it is itself a product of labor".

Monetary relationships don't represent simply a natural "economic reality" but also veils the social reality underlying the economic one. Highlighting his popular theory on the objectification of human labor he said that money signifies its alienation under capitalist social relations of production. These social relations represent the underlying economic reality and come along with commodity fetishism and alienation, therefore expressing the monetized economic relations in a capitalistic society. Marx said that

there are two masked realities:

- i. The real economic powers lie behind money.
- ii. The actual social relations lie behind these economic structures which appear as monetary relations in times.

He says that the only way to unmask these realities is by unveiling these masks of monetary relationship, study the social relationships of any mode of production and then only can capitalism will be demystified. This argument of Marx was used to challenge orthodox economics, but on the other hand it also established the fact that money can be used to analyze social structure. Although he maintains that no doubt money is a tool of power for the capitalists, but the capitalists are also powerful through controlling the means and relations of production. However one drawback of the excessive emphasis on commodity production is that it couldn't define the relative autonomy of the development of the means and social relations of production of modern institutions like bank or credit money of the state.

Marx's contribution to the theory of money has been credited with pointing out the factor which differentiated capitalism from other types of commodity production which was appropriating the value in the form of intangible wealth. This capitalistic analysis of money and production of wealth influenced later theorists in the post-Keynesian genre. They used Marx's theory of "monetary analysis" in substantial amount. The post-Keynesian theorists focus on the role of banks and their autonomy in creating 'endogenous' credit-money under capitalistic economy. Although Marx didn't talk about the banks creating monetary system of credit money but the social relationship between capital and labor, the significance of Marx lies when we analyze money or credit-money as a 'force of production'. This force consisted of the 'means' and 'the social relations of the monetary and bank systems'.

4.2.2 Georg Simmel

Georg Simmel wrote extensively on money and exchange in his famous book *The Philosophy of Money* which was published in 1900 in Germany. Simmel was influenced by the thought of Kant, Marx and Weber which is evident in his writing on money. He seemed to be visibly impressed and overwhelmed by the power and influence money have on our society and thus he was inclined to establish money a ground for existence of human in society. His book is often regarded as 'philosophical anthropology', an amalgamation between sociology and philosophy. It cannot be termed an economic work per se, because Simmel didn't generalize the characteristics of the economic population. He was more concerned with the sociological and psychological effects of money as a culturally determining factor. Simmel said that modern money economy has the power to transform social relations. By social interaction, he was indicating towards exchange. To him, exchange is a self-generated sociological phenomenon; it is at the

helm of all the forms and functions of a social life. He considered money to be a means, a material or an important example to show the current trends of relations in individual life and social history. (Simmel, 2004)The main themes of Simmel's philosophy of money are:

- Money is the structural metaphor for every aspect of human existence.
- The dual usage of the word "value"; once in the context of morality, then in the context of money.
- Constant valuation and measurement and its effects on human relations
- The physical manifestation, commodification and universalization of value.

So, we see he puts a lot of emphasis on the idea of value and how it is changing in the modern society. To him, value is something which is assigned by social creatures, and not assigned by nature. Simmel argued that money is the main creator of modern society. In modern society, economic value of things will gain importance and money is the only means of expressing and concretizing that value. That is why money will gain importance in modern society. According to Simmel monetary exchanges comes with two basic benefits:

- a. Money adds to individual freedom and self-sufficiency. It calls for impersonal interactions and exchanges which eventually make an individual self-dependent. As an example Simmel said that a wage labourer earns more than a peasant.
- b. Money multiplies social interactions by allowing the individuals located afar to engage in exchanges and transactions with each other. Simmel made an important argument where he says that money is important for the development of individuality. It is directly related to the importance of money exchange which helps in the expansion of group affinity.

Therefore we can see money is important and it helps in reshaping the façade of modernity. As the second major trait of modernity, Simmel talks about city life. In *The City* (1921) Simmel investigates the major characteristics of modern society. One of the important characteristics he talks about is the complete absence of barter system and the total prevalence of money as a system of exchange. It is in this city, Simmel observes the beginning of competition among people and a typical disloyalty in regard to taste, opinions, personal dealings and other behaviors. All of these habits were linked to widespread anomie and alienation, two constant but negative traits of the modern city and modern life. Some of the features of modern life Simmel points out are:

- In city life, all kinds of exchange relationships are centered on money. Exchange therefore, according to Simmel is sui-generis, self-generated.
- Most of the economic exchanges take place in a particular place in city, called market.

Simmel, in a nutshell stated that money is a force which makes the apparently incommensurable value system measurable. Since money is neutral and not biased to one or the other value system, one simply converts that value into monetary system and establishes an exchange relation. He said, "For the value of things, interpreted as their economic interaction, has its purest expression and embodiment in money."

4.2.3 Polanyi and Money Exchange

Karl Polanyi viewed that the contemporary Western money is all purposive, while primitive money only has some special purposes to fulfill. He opposed the traditional economic thought in his book *The Great Transformation* which talks about the emergence of a market based society in modern Europe. Polanyi's approach to the concept of money and exchange opened up a new frontier in the field of economic sociology. *The Great Transformation* contains an important insight as it points to the fact that just as the newly formed market economy and the nation-state cannot be considered as separate entities. He said the same about philosophy also. He said that any philosophical insight which takes side of either the market or the state as a solution to all economic problems, for example either state socialism or neo-liberalism, that will be way too simplistic for us. He formed Substantivism- a school of thought which proposed to study economics from a cultural standpoint in order to see how economics are strongly embedded in culture and society.

Polanyi said that the emergence of market economy and market-based societies is not only unavoidable, but historically conditional. Going back to the fact where he said money has a full purpose in today's society as compared to the primitive one, he saw that it can be fully exchangeable. Matters like "quantity" (Beckert, 2015) played a very vital role in the coming of market and market exchange system. He said, "In general terms, money is a semantic system similar to speech, writing or weights and measures." Polanyi in his book published in 1944 where he talked about the social and political turmoil that England witnessed during the rise of market-based economy. He contested that modern market economy and nation-state are not separate events but is the result of invention of market society. With the invention of market society, Polanyi opined that the entire economic mentality of the normal human being perceived a revolutionary change. Before the advent of the market society, the economic activity of the people was mainly centered on reciprocity and redistribution of communal and personal relationships. With the coming of industrialization and rising state influence, there was an onset of competitive market which went against the previous economic trends and replaced them with a more formal institution which acted as a defense against self-regulating market economy. An economic liberal market economy helped in the expansion of capitalist institutions which acted as a catalyst for a new kind of economic relations in the society. This led to fundamental transformations in legal structures too.

Before the great transformation came, Polanyi said market had lesser importance in the society and it did not have any power to fix prices.

For him, the state regulation over market economy was necessary for establishing the market system as a mode of social sustainability. He indicated to the changing human mentalities for the coming of the market economy because that shifted economic activities, earlier grounded in local institutions and customary social relationships, to formal and rational transactions which above any social ties and took place in a completely different context. The dissolution of the basic social order started with the change in the factors of production, land and labor which would now be sold in the market. The market will determine the price of the product, and the function of traditional reciprocity and redistribution will take a backseat. This market society is characterized by the idea of double movement. This means, on the one hand, the forces of economic liberalism seek to spread and expand the role and responsibility of the market, for example freeing up labor markets; on the other hand, there is a backlash received on the societal front as society will face the greatest dislocation ever. There is soon an emergency and a call for providing social protection and construction of welfare state institutions to the most vulnerable groups, the citizens. Throughout his work, Polanyi hinted to the fact that self-regulating markets are defunct and at the end some kind of government institution is necessitated, so that they don't become completely self-regulatory. Market liberals will not hesitate to ask the government to intervene in the economy and society largely whenever a crisis deepens.

Polanyi emphasized on the fact that the coming of market economy and society is not a positive development. The market will dominate and commodify human and land resource, which will bring great damage to society and the environment. The value of human life will be reduced to how much they earn and the result will be catastrophic as there will be constant depletion of environmental resources for market gains. Polanyi's analysis of market society can be summarized in the following way:

- a) The main economic task of the society is to produce and provide for its members. The emerging modern market society has assigned this duty to the market, making the owner of wealth and property entitled to production and gradually neglecting the poor since they don't own any wealth. In the new society only those who pay for services like health, housing, education or social welfare have the privilege to access it. This will widen the rich-poor gap which will be an unfortunate event.
- b) The market mechanism of distribution of goods and services to the members will bring serious damage to the existing social mechanisms and relations. The earlier social transactions and exchanges based on mutual co-operation and reciprocity will receive a tremendous setback, thereby dismantling traditional social relations. The symbiotic relationship with the environment will be commercialized,

the traditional social relationships based on trust, and mutual commitments will be reduced to professional commercial transactions. The newly created labor market will turn human lives into saleable commodities.

- c) Ideologies related to money, land and labor are required for the market to function efficiently. In reality, the newly emerged market society required both poverty and a certain ignorance and lack of awareness to poverty for its smooth functioning. Capitalist economy demands the exploitation, sale and purchase of labor which is not possible without creating poverty and convincing the workers that if they labor, they will get rid of poverty. Thus the creation of private property and related ideologies came into being which in reality was detrimental and harmful for natural human condition.
- d) Market economy needs certain amount of violence that may either be natural or created. The success of the market depends on the competition of misrepresentation of facts, so that if market fails, the distorted facts will help to cover it up. It adopts a number of strategies to project an economic crisis as progress and development. Polanyi said that this sort of propaganda is required for the survival of the market.

4.3 Conclusion

Thus we see that thinkers like Simmel, Polanyi or Karl Marx provide their own theories on money which focused on how society revolutionized or impacted after money became the only mode of transaction in the emerging market economy and modern society. Money today is a universal benchmark against which we measure and analyze the nature of objects, services provided, the position of a certain person in a society and the relationships which we establish. Though money is regarded as the exclusive genre of economy, recent social sciences have taken interest in the societal transformations that we are witnessing as a result of money. It is seen that money is not exclusive to social institutions but is constituted by social relations and practices. Recent sociological study has shifted to a more interpretative perspective and is trying to uncover the social meaning of money and understand the socio-political construction of money in the recent times. The world of social science has a very important task in front of it, which is to unveil the power dynamics and hierarchy at interplay behind monetary relations in a society.

4.4 Summary

It may be summarized that we tried giving an idea about money as a form of exchange. We also gave the theoretical stand points on money as a medium of exchange. We even discussed the classical tenets of Karl Polanyi. We understood that money as a

form of exchange must be elaborated to unveil the changing relationships between the dynamics of power play and the hierarchies of the social structure.

4.5 Questions

1. Answer briefly (6 marks, total 6-8 questions).

- a) How do you define money?
- b) How did money evolve as a modern method of transaction?
- c) What are the characteristics of modern market system?
- d) How has social science defined money so far?
- e) What are the basic functions of money?
- f) Explain the Distinguishing elements in Karl Marx's concept of money?
- g) What does Simmel's theory of money tell us?
- h) How has Polanyi differentiated between modern and traditional concept of money?

2. Answer in detail. (12 marks, total 5-6 questions).

- i) Discuss in detail the evolution of money as a mode of exchange. How is it different from the earlier mode of exchange?
- j) Why was there a lack of compact of social theory regarding money?
- k) What are the main themes of Simmel's philosophy of money?
- l) What according to Talcott Parsons are the four characteristics money should possess ?
- m) Why did Polanyi think that a state regulation over money was required?
- n) How did Marx equate money with alienation?

3. Essay Type Question. (20marks, total 3-4 questions).

- o) What are the basic tenets of Talcott Parson's theory of money?
- p) How has Georg Simmel contributed to the concept of money in sociology?
- q) How does Polanyi analyze market society?
- r) Critically analyze Karl Marx's concept on money.

4.6 References

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4.7 Glossary

Money - Money is the most popular medium of exchange accepted by people for exchanging goods and services. It also serves as a store of value and as a unit of measurement in market and economy exchange.

UNIT-5 : Hunting and Gathering

Structure of the Unit :

- 5.0 Learning Objectives
- 5.1 Introduction
- 5.2 Hunting and Gathering
- 5.3 Major Typologies of the Forage Subsistence Pattern
- 5.4 Society among the Hunting-Gathering communities
- 5.5 Characteristics of the Hunting and Gathering Societies
- 5.6 Some of the Major Hunting-gathering Communities
- 5.7 Conclusion
- 5.8 Summary
- 5.9 Questions
- 5.10 References
- 5.11 Glossary

5.0 Learning Objectives

To explain the following:

- To give an idea about the way production and consumption functioned in pre agricultural society.
- To develop an idea about the Hunting and Gathering as a mode of economy
- To give a brief idea about some of the major hunting and gathering communities

5.1 Introduction

This unit is aimed at introducing the way production and consumption functioned in pre-agricultural society. The economic and livelihood pattern in primitive society was mainly self-subsistent, and based on that the resultant socio-political pattern was set up. With the introduction of agricultural mode of production and consumption, technical advancement and the consequent patterns of consumption, the demography of these simple societies have been drastically reduced. These transitions showed a sharp contrast between the two phases of human historical transition, which is the time before and after the advent of agriculture. In this section we are going to learn about this earliest system of production and consumption which existed for a long historical period.

A system of production and consumption in general refers to the livelihood pattern of a particular society. It shows a way by which goods are produced, exchanged, distributed, consumed or utilized in a particular culture among particular group of people. One thing to be remembered is that we cannot interpret in the same manner production and consumption pattern for all the cultures and it is not an easy task. That is the reason when we are studying the production, circulation and consumption pattern of a particular culture, we must relate this economic pattern to the particular social set up so that we can get a holistic picture of that society as separate from the other. In this section we will discuss about the production (goods or money producing), circulation or the exchange pattern, distribution or the way goods and money are allocated among the members of the clan or society, and consumption which involves utilizing the good produced and/or exchanged. In the coming units will trace the production and consumption pattern of three historically and anthropologically distinct phases of society- the hunters and gatherers, the domestic mode of production or agriculture and feudalism.

5.2 Hunting and Gathering

Hunting and gathering society revolved around food collecting and consuming and the entire socio-political pattern was centred around this particular activity. The foremost biological need of a human being has always been food and till date it is considered a topmost priority. If we look at the historical transition of the demography of the world, we will see that the transition from food gathering to food production didn't happen overnight. It was a process which took place through a series of transitions. In that type of society, human beings were close to their environment and tried to adapt to the surrounding circumstances. They always managed to procure food from whatever resources are at their disposal, developed sufficient knowledge about the resources as well as the technical means to exploit them for survival. In doing so, they had to fight off wild animals often but also managed to develop a symbiotic relation with every thing one around them.

In order to explain the early stages of evolution of human cultures, anthropologists around the world are paying greater attention to the major hunting and gathering societies that have existed since ages. The prime reason for this is the widely held belief that the knowledge of the hunting and gathering societies will help in tracing the progress of human culture. It is argued that for a vast period of human history, the main livelihood mechanism adopted by the human being was foraging. Anthropological research showed that cultivation, food production and domestication of animals was a rather late phenomenon, evolving not more than Ten thousand years ago. The hunting and gathering cultures continue to exist in some parts of the world, like Africa, New Guinea and Brazil. However with the expansion of modernization and urbanization, this culture is almost on the verge of extinction.

The hunting, gathering and fishing communities are those who procure their foods and services from natural resources like animals, wild plants and fishes without any tendency to domesticate or produce them but only to consume them. Food collection via hunting and gathering is the oldest survival strategies of human race. The hunters and gatherers were the prehistoric nomadic groups who first discovered the use of fire, learnt intricate details about plant life and harnessed newer technology for hunting and food procuring purposes. This society is characterized by a lack of production and subsistence consumption. Their nature of hunting and gathering foods is commonly termed as foraging which is essentially a mode of subsistence derived from reliance on wild plant and animal already available in the environment rather than on domesticating them. The density of the foraging population is very low compared to other patterns of subsistence. In harsh, unfriendly and unproductive environments the density is as low as one person per 10-50 square miles. In favourable environment, the density is 10-30 people per square miles. The approximate community size is generally about 25-30 people which varies on the availability of food and water. A number of social factors impact the number of community size apart from food scarcity. With the increase in the number of people there is an increasing chance for social conflict which can result in the splitting of the band. That is why a particular community generally avoids fission with another community so that it doesn't strain the carrying capacity of the environment. The term "hunters-gatherers" implies that we are referring to that kind of social organization and a type of economy where people rely for subsistence on undomesticated plants and animals and organize themselves. However, a number of hunters and gatherers have adopted other livelihood methods like agriculture and animal rearing.

Another fact which needs to be pointed out is that some of the contemporary foraging communities have quite complex social organizations. For example, the Northwest Coast Indians living in the coastal and island areas of Western Canada and Southern Alaska have a visible social stratification where one can find a division of nobles, common people and slaves. There is a competition for rank among individual members and local groups and descent groups who are mainly inclined for corporate control over resourced areas like fishing areas, hunting grounds etc. This kind of social stratification is absent among the San, Pygmies and Inuit among whom hierarchy and interpersonal communication is non-existent.

5.3 Major Typologies of the Forage Subsistence Pattern

Anthropologists have identified three major typologies of the forage subsistence pattern:

- The pedestrian foragers who carry out diversified hunting and gathering on foot. For example the Australian Aborigines, the Pygmies of the West Central Africa,

the Paiutes of the Great Basin in Western North America.

- The equestrian who hunts large mammals seating on horseback. They are found mainly in two areas of the world- the Great Plains of North America and the sparse grasslands of Southern Argentina.
- The aquatic who concentrates on gathering fish or marine mammals from boats. Notable among these communities are the aquatic foragers of the Northwest Coast of North America from the Klamath River of California to the Aleutian Islands of Alaska.

Hunting for animal protein lies at the centre of foraging lifestyle and they mainly use bow and arrow to capture the animals. Fishing for procuring marine protein forms the core mode of subsistence for many foraging communities. They gather wild plant resources, like fruits, nuts, berries, tubers etc. Gathering the foods require detailed knowledge of where the plant resources can be found, the best time for harvesting and how to consume them. The only return subsistence system is foraging. These communities have what is called a broad spectrum diet, which means diet based on numerous resources. Some of the foraging communities are the Aché of the subtropical rainforest in Paraguay, the !Kung foragers in the Kalahari Desert in southern Africa. Although hunting has been banned almost across the globe, in many places night hunting is still common. It is mostly a solitary affair and is restricted to familiar grounds. Often a single hunter or a group of hunters would camp-out in the forest for a few days and even weeks for hunting purposes. In the sub-continent of Africa, mainly three forms of communal hunting is prevalent.

- a. Seasonal group hunting using modern ammunitions like guns
- b. Combining of vegetation to drive out animals which are then killed using clubs
- c. Using fire to smoke out animals

The seasonal group hunting, traditionally was carried out during a specific time of the year or as part of any celebration of a cultural event where comparatively able-bodied males of the community will partake in the hunting. A meeting is held days before the hunting takes place to decide where they will go for hunting and then people are divided on the basis of ranks and responsibilities.

5.4 Society among the Hunting-Gathering communities

These groups were mainly egalitarian in nature since they had limited resources. They gathered enough food for survival and found a basic shelter for themselves. The foraging communities have lesser number of members, with a low population density of around 3-4 people per square mile. They are nomads and move to different places in search of food and shelter and this is the reason they don't have concepts of private property or shared wealth. As a result there is little inequality among the members of

these groups since they do not gather material wealth beyond what they need for daily usages. One thing noticeable among these hunting and gathering societies is that they place a high value on generosity. They share food and other resources among other members which is a social norm and those who go against it is generally considered as socially outcast. They are mainly preoccupied with religion and customs, ceremonies and ritual activities. It is believed that the regular habits of sharing and receiving strengthen social equality. It is also an important survival strategy which will help the groups during the times of food scarcity. The foraging communities have very limited numbers of material goods like as weapons for hunting, tools for building and digging and some simple cooking utensils. There are no stark differences of wealth and property among the members of the society. Therefore there is no class divisions between rich and poor.

The anthropologists state that the foraging communities don't have any permanent leaders; it depends on the kind of task to be performed and who will be assigned for it. They are grouped for certain tasks according to their particular kinship or tribe membership. Their kinship system is generally matrilineal although the descent and kinship structures are comparatively flexible with the post-marital residence tending to be matrilineal. Gender inequality is visible in many communities and it develops from the fact that tasks are divided along gender lines. Works like hunting down large animals are generally performed by men and the success in hunting gives them respect and prestige in return. While women participate in hunting and contribute to the group's food gathering, their tasks are not regarded as socially prestigious; rather acknowledged as their duty. The women do the most of the gathering, cooking and bringing up children, while the men concentrate on big scale hunting. The elders of these communities enjoy huge amount of respect and are honoured with higher social status, particularly if they have skills in healing or other customary activities. There are many recent archaeological studies which suggested that the basic organizational innovation of sexual division of labour gave the homo sapiens an advantage over the Neanderthals as they were able to spread across different parts of the globe. This division of labour is found in men dominating the public sphere and occupying ceremonial positions.

Most of the foraging communities are nomadic in nature, however there are some societies who have developed a large-scale sedentary societies. This is visible mainly in areas where large scale natural resources are found in abundance, mainly fish. For example the foraging societies in Peru, the Pacific Northwest and Florida developed modern fishing technologies that resulted in surplus of food, as a result of which they stopped participating in hunting and gathering anymore.

5.5 Characteristics of the Hunting and Gathering Societies

A number of ethnographic data and cross-cultural perspectives have pointed out some

of the recent characteristics of the hunting and gathering societies.(K.Hitchcock, 2019)

They are:

- a. They are semi or fully nomadic
- b. They live in small communities
- c. They have low population densities
- d. They don't have any specific political body or official positions
- e. They have no concept of private property or differentiation of wealth
- f. There is only economic specialization based on their age and gender
- g. Women are mostly engaged in gathering wild plants and men are into hunting and fishing.

Though there has been a major number of studies regarding the hunting techniques adopted by the communities, very little research has been done into assessing whether the hunting process in those places are sustainable. The reason why hunting has been banned across various continents including the African region is wild animals continue to be increasingly poached and exploited by everyone, from a small scale subsistence hunters to the powerful professionals and group hunters. These people mainly organise hunting networks which includes transporting the carcasses to the city and marketing of the quarry. Hunting intensively is profitable but on a short-term basis, but in a longer term exploiting the wild animal resources exceeding the capacity will eventually lead to scarcity of animals. That is why it has been agreed upon that a more appropriate and sustainable alternative to hunting and gathering approaches is required, both from the ecological and economic perspective.

In wrapping up, we can say that hunters and gatherer communities consume less energy per capita per year in comparison to other group of human beings. The anthropologists today recognize that the foraging communities although primitive in nature is one of the most effective and dynamic subsistence systems human being have ever developed. It is of no doubt that foraging communities have a challenging lifestyle with some groups spending up to 60-70 hours per week for food collection. Availability of food and environmental condition of a particular region impacts their amount of leisure time and relative comfort.

Contemporary studies on foraging communities point to the fact that the foragers have rarely lived in isolation. All across the world they lived near farming populations for thousands of years. They have often got involved in conflict and competition for resources with the non-foraging communities have often left the foraging communities at the receiving end as they are weak both by population and technology. Governments

have formulated policies for "rehabilitating" the foragers or "reserve" areas for them. This may have led to catastrophic ends as most of them have been forced to settle in towns. As a result, the number of foraging communities are dwindling today, especially in marginal ecological zones.

5.6 Some of the major hunting-gathering communities

Pirahã of the Maici River, Amazon

Among the vast numbers of unknown and unacknowledged tribes in the Amazon area of Brazil, the Pirahã is one of them. They are an indigenous foraging community living in the Amazon, specifically on the banks of the Maici River. Daniel Everett, anthropological linguist stated, "The Pirahã are supremely gifted in all the ways necessary to ensure their continued survival in the jungle: they know the usefulness and location of all important plants in their area. They understand the behavior of local animals and how to catch and avoid them; and they can walk into the jungle naked, with no tools or weapons, and walk out three days later with baskets of fruit, nuts and small game." The tribes maintain minimal contact with the outside world and carry on barter system with external traders, but not more than this. They don't store food but consume them as soon as they gather.

Sentinelese of the Andaman Islands

The Sentinelese tribals inhabit on the Andaman Islands in the Bay of Bengal between India and western portion of Burma. They are considered to be the last Stone Age tribes in the world who maintain their independent existence and defend their territory in an unruly manner. They are the only hunting and gathering communities who have succeeded to completely cut themselves off from the outside world. They have their own way to ward off any outside contacts and as a result we hear the news of people injuring or dying in the hands of the tribes when they try to invade their territory. They possess tools like javelins, a flatbow and minimum three varieties of arrows mainly for fishing and hunting purposes and in case of keeping people invading their territory.

Kalahari Hunters

The Kalahari Bushmen of the Kalahari Desert in Africa is one of the world's oldest hunting and gathering communities. They physically fight and hunt, while tools and weapons. This unit is too small. Please add some more sections.

5.7 Conclusion

So we see how since prehistoric times human kind have been following the courses of nature and co-existed with nature. But this livelihood pattern didn't continue for long as human beings were slowly shifting from the stage of food collection to food cultivation.

Once this transition happened and mankind started interfering with the ecological pattern of plants and animals equally, it wasn't possible to depend on wild resources anymore. Therefore agriculture expanded, settled village communities started which with the advancement of technology developed into city and state. As a result, the once hunting-gathering communities subsided and can only be found in some remotest part of the world where agriculture is not topographically possible or where technology and commerce haven't infiltrated yet.

5.8 Summary

We gave an idea about the way production and consumption functioned in pre-agricultural society. We developed an idea about the Hunting and Gathering as a mode of economy. We even delved on the different sides of some of the major hunting and gathering communities of the world.

5.9 Questions

1. Answer briefly (6 marks, total 6-8 questions).

1. Define hunting-gathering community
2. What are the three forms of communal hunting prevalent in Sub-Saharan Africa?
3. Name two major hunting-gathering communities still in existence.
4. What resulted in the lessening of the number of the hunting-gathering communities?
5. Why are hunting-gathering communities called foraging communities?
6. Why did the hunting-gathering communities roam in smaller numbers?
7. Did any social hierarchy exist in these communities?
8. Why was the concept of private property or shared wealth non-existent in these communities?

2. Answer in detail. (12 marks, total 5-6 questions).

- a. Describe the pattern of consumption of the Communities.
- b. What are the basic characteristics of the foraging communities?
- c. Why do you think a more sustainable approach to hunting and gathering is required?
- d. What are the three major foraging subsistence patterns described by the anthropologists?
- e. What are the social factors which influenced the community pattern among these societies?
- f. What is the dietary pattern of these communities?

3. Essay Type Question. (20marks, total 3-4 questions).

- g. What was the nature of economy in the foraging communities?
- h. Differentiate between the hunting and gathering communities and the settled agriculturists.
- i. Describe the social structure under the hunting and gathering communities.
- j. Describe the characteristics of any two major hunting-gathering communities

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5.11 Glossary

Hunting and gathering – Hunting and gathering communities refer to those societies where most of the food are gathered by foraging. They occupy the major part of the evolution of human history. They are nomadic and semi-nomadic and they don't have any permanent settlements.

Foraging – The mode of subsistence of the hunting and gathering communities is called foraging. Foraging refers to the reliance on plants and animals for food resources. They are called foragers and they don't have the system of domestication of animals.

UNIT–6 : Domestic Mode of Production

Structure of the Unit :

- 6.0 Learning Objectives
- 6.1 Introduction
- 6.2 Characteristic of Agricultural mode of production
- 6.3 Economy and Society in Domestic Mode of Production
 - 6.3.1 Occupation
 - 6.3.2 Land ownership in agrarian societies
 - 6.3.3 The village community
 - 6.3.4 Minimal Division of Labour
 - 6.3.5 Family
 - 6.3.6 Informal Social Control
- 6.4 Pastoralism
 - 6.4.1 Formation of specialized labour
 - 6.4.2 Support larger population
 - 6.4.3 Formation of social hierarchy
 - 6.4.4 Formation of City
- 6.5 Conclusion
- 6.6 Summary
- 6.7 Questions
- 6.8 References

6.0 Learning Objectives

To understand the following:

- The importance of agriculture in making of the human civilization
- Characteristic of Agricultural mode of production
- The relationship between economy and society in Domestic Mode of Production

6.1 Introduction

In this unit we will discuss the importance of agriculture and the coming of the agricultural society as a historical event in human civilization. Agriculture brought along with it the first settled civilization and shifted the economy from being only subsistence to commercial. This acted as a catalyst for the growth of the modern urban cities and nation state. That is why it is important to study agricultural society to get an idea of how the concept of society and different social institutions and norms developed.

The development of agriculture has a significant impact on human history. It shifted the nomadic lifestyle of man to a settled lifestyle, leading to the birth of family and society and ultimately the development of urban culture. Not only that, agriculture also transformed the way we have so far used environment. It was a major shift from natural environmental practice like collecting wild fruits to tilling of fields and pasture lands with planning. Growing of crops became a selective and planned process. As a mode of subsistence, agriculture revolutionized the way of making a living by introducing technology and economy which had a far reaching effect on human communities.

The hunting and gathering societies were immediately followed by agricultural societies. Horticulture and agriculture developed as a type of subsistence economy in the fertile region of Middle East, presumably between 10,000 and 8,000 years ago. Why agriculture suddenly developed is a long and debatable issue; although some identify climate change to be the reason while others emphasize the accumulation of surplus food. Later in East Asia and Central and South America. As a result of advent of agriculture, supporting a large density of population was possible and it resulted in accumulation of extra food grain which can be used later. Not only that, agrarian societies gave birth to a complex social structure characterized by social stratification based on specialization of tasks in farming, appropriation rise of surplus production, advanced technology and other hierarchical social institutions.

The domestic or kinship based mode of production characterizes the lives of foragers and small scale subsistence farmers with social structures that are more egalitarian than those characterizing the other modes of production. This mode of production is characterized by agriculture, irrigation, domestication of animals and using inputs like fertilizers and pesticides that allow for intensive and continuous use of land resources. Human societies about 10,000 years ago started innovating subsistence technologies for subsistence livelihood purposes that paved the way for the emergence of agriculture. This transition from foraging to farming is known as Neolithic or New

Stone Age Revolution. The New Stone Age period witnessed the explosion of new technologies which were meant for agricultural purposes, harvesting plants using scythes or hoes for tilling the soil. These type of technological developments began to improve yields which allowed larger number of people settle together as a community on food produced in a less space.

The agricultural society relies on the production of a few staple crops which form the base of their sustenance and subsistence system, for example wheat in India, rice in China etc. The farmers in an agricultural society produce a surplus of these staple crops and sell what is left after consumption in the market for profit. But the dependency on producing a single crop has its flipside too. Mono-cropping can hinder dietary diversity and carry the risk of malnutrition since it doesn't contain the food value attached to a diversified diet. Other associated risks are crop failure due to adverse weather or famine, which are very common in agricultural societies.

6.2 Characteristic of Agricultural mode of production

One characteristic feature of agricultural societies is the linkage between intensive farming and a steady increase in the density of human population. Archaeological and anthropological records show that human population has grown unabated since the time agriculture was developing. Although a number of scholars uphold a different opinion; they said that human population was already growing with innovating technology even before the emergence of agriculture. The only new thing which arose with agriculture was improved productive capabilities; but that too had a cost to pay. People were nonetheless been able to produce surplus food but had to put more of their labour and invest in maintaining the land. A farmer had to work for more hours as compared to the foragers and that was the reason an agricultural family preferred larger families so that their children could extend help as farm labour later on. Again presence of large families meant more mouths to feed on which inevitably led to an expansion of agricultural production. As a result increase in population density and agricultural expansion became a cyclical process.

With agricultural production, division of labour came into being. Increasing productivity and manual labour divided the tasks associated with agriculture into various small fragments and individuals were to take up tasks according to their specialization. Another reason for the emergence of the division of labour was higher agricultural yields which meant quest for food no longer needed everyone's participation. As a result non-agricultural occupations emerged like religious preachers, building houses, law makers and scholars.

Division of labour and a creation of non-agricultural occupations brought in a

drastic change in the economic structure of the society. Specialization of works and breaking down of the labour into different units created wealth indifferences. Anthropologists explained that agriculture gave birth to class differences, wealth inequality and social discriminations.

Therefore, we can say that although agricultural development brought in noteworthy technological achievement that paved for a way of life for the later generations. It cannot be denied that it gave way to more unholy development that compelled people to put labour and time in bigger amount for food production while leading a lower quality of life as our energy and time is taken up by agriculture.

6.3 Economy and Society in Domestic Mode of Production

The domestic or agricultural society is based on a 'self-sustaining economy' which means producing whatever is necessary for sustenance directly and within easy reach. There is no commercial exchanges and involves no other tools other than human labour. The means of production involves manual labour and tools and the relations of production are expressed through kinship relations. The reproduction of the domestic unit depends on the relations established between the members centring on production and consumption of food and other items for livelihood. It should be remembered that since the households provide for themselves, those having a comparatively greater labour capacity do not extend their labour to those who fail to procure their needs. The household exploit resources on their own having complete right over whom they want to share their resources with. Each household procures goods for collective usage of its members while relations between the households are based on reciprocity. The main economic forces in such societies are chieftainship, kinship and the traditional ritual order.

6.3.1 Occupation

Domestication of plants for farming and animals for herding is one of the foremost features of an agrarian society. Often animals such as cows, goats or sheep are used for farming purposes. Along with herding and cultivation, agrarian society has people of other occupations like weavers, blacksmiths, potters and also people serving others as servants and other menial jobs.

6.3.2 Land ownership in agrarian societies

In an agrarian society, there are normally three categories of land ownership found- the landlords, supervisory farmers and the sharecroppers. The landlords or the landholders own the land but they themselves don't work in it; they give it for

sharecropping. The supervisory farmers use hired labourers to get their land cultivated. The cultivators themselves cultivate the land. The sharecroppers draw their livelihood on a crop sharing basis or by tiling other people's land. Not only supervisory farmers or landholders, in an agrarian society the trader classes or the artisans also own some land which they either let out for sharecropping or hire labourers to cultivate the land.

6.3.3 The village community

The village community system is the main institution in an agrarian society. It was deemed necessary that everyone should have a fixed dwelling house. The village community system was formed out of the need to stay close and together for co-operation and protection and close to the agricultural land. As a result, the village is considered not only a place of residence for the farmers but also a place for social interaction and integration. The life patterns of the rural people centres around the village community and their attitudes, habits and thoughts are inspired by this. As a result the relations of production that develop among the people in the agricultural community are almost impenetrable.

6.3.4 Minimal Division of Labour

Marginal division of labour is another key feature of this society. The basic division which is found here is characterized by age and sex differences, but apart from that there are specialized division of labour. Since in domestic mode of production people are engaged in similar economic pursuit, the society is homogenous without much division or sub-division of work. Complex economic organizations, trade unions or any other professional associations are not found here.

6.3.5 Family

One of the most remarkable features of agrarian society is the increasing importance of the family, not only for child bearing and rearing institution but also as an economic unit. The family as a group is attached to tilling the soil, harvesting the crops, and co-operate for other necessary farm activities. Most of the agricultural family is of patriarchal type where the male member is the all-in-all of the household. An individual's status is confirmed by the status of the family he belongs to. Marriage, occupation, religious affinities and other recreational activities are influenced by family traditions.

6.3.6 Informal Social Control

Since the village community has a stronghold in the agrarian society, it rules over the people through an informal mode of social control. Traditional mores and customs are dominant and followed strictly in agrarian societies since they are believed to hold

the society together. Since norms are enforced strictly and behaviour is governed by mores, rules and sanctions are rigid, thereby promoting unity among the members.

So in a nutshell we see how the socio-economic organization of an agrarian society functions. It is to be pointed out that agrarian society is the most common form of organization recorded in human history. But all the agrarian societies don't have homogenous nature or culture. The main reason for this dissimilarities is the natural resources of the societies, which geographically vary across the globe. But with the need of food growing due to population explosion along with technical innovations in agriculture, natural resources are being exploited beyond the limits. Agriculture is imposing an external burden upon nature by using pesticides to speed up production, increased water usage, erosion of vital nutrients and other environmental damage. As a result there has been an increasing importance of sustainable agriculture which is nothing but an economical way of manipulating natural resources in order to sustain natural resources and also contribute for the societies' welfare.

6.4 Pastoralism

Pastoralism, which refer to domestication of animals also emerged as a branch of agriculture. Along with cultivation the herding of animals such as goat, sheep and cattle also began for food and agriculture purpose. The herding of animals were more visible in places where the topographic features were not suitable for plant cultivation. These pastoralists were mainly nomadic in nature, but their nature vastly varied from that of the hunting-gathering societies. They used animals for dairy products or the wools of the sheep for weaving purposes. Often the pastoralists traded these products with the agricultural society if they lived at a close proximity. Let's see the impact of agriculture.

6.4.1 Formation of specialized labour

A settled civilization and an increasing population provided the space for various domestic needs on a daily basis, creating the demand for non-farm products. These non-farm people concentrated on making other goods and trade them with food items with the farm people. This resulted in the growth of dependency among the community people. The other specialized groups of labour formed other social classes and enabled further innovative and creative developments. The surplus food that agriculture generated allowed people to live in permanent places peacefully creating the need for other goods of daily usage. Thus textiles were produced, along with different tools, metal work, pottery, building, vessels which were directly related to daily life.

6.4.2 Support larger population

Agriculture has far-reaching impact on human civilization. It led to the growth of population as it resulted in the production of surplus crops and consumable food produces, which meant an increase in the number of mouth to feed. Moreover breeding of plants and animals significantly led to an abundance of consumable calories. A larger population supported for the growth of more food, which again produced surplus produces which were traded off or exchanged for other goods.

6.4.3 Formation of social hierarchy

Agriculture led to the formation of a hierarchical society in a unique way. With increasing numbers of people engaged in agriculture, a surplus amount of food was produced which were often traded off. As a result, those who were able to produce maximum surplus started accumulating greater amount of wealth. They slowly gained political power in a bid to hold their position. Moreover, those who weren't engaged into food production often took up the role of overseeing the amount of food produced. This provided them with a social status much higher than those who were engaged in cultivation and irrigation. Along with that increasing technology and demographic density created the need for someone to maintain social cohesion and administration. These gave birth to new social hierarchies, where a group of persons allowed themselves to be ruled by another group so that the former wouldn't have to worry about societal tension. One important point to be noted here is that the farmers invested a great deal of time and energy on a specific portion of land for cultivation. This resulted in them getting increasingly attached to the land. In order to avert any disputes over possession of land, a need for strong leaders and rigid code of conduct evolved in response.

6.4.4 Formation of City

The cumulative effects of agriculture like specialization and division of labour, population explosion, advent of agricultural-economy, formation of social hierarchies and rigorous code of conducts paved the way for complex social formation or newer civilizations. These gave way to newer challenges to face on an everyday basis which resulted in the formation of complex and modern city states.

Effects of Agriculture on Environment

With the evolution of agricultural pattern of food procuring, human being started to manipulate and use environment for obtaining maximum resources. This led to a number of environmental effects:

- a. Climate change- irrigation, tilling of land, digging of soil, use of pesticides and fertilizers release large amount of greenhouse gases like methane, carbon dioxide,

nitrous oxide to the earth's atmosphere. As a result, many countries are looking for sustainable agricultural practices keeping in mind economy and ecology both.

- b. Pollution- widespread use of fertilizers and pesticides lead to release of pollutants on the soil and water bodies resulting in increasing pollution.
- c. Soil degradation- Poor farming practices, exploitation of soil to grow more crops resulted in degrading the quality of the soil. Other factors are pesticide contamination, salting and water logging.
- d. Deforestation- Forests being cleared for agricultural practices is a common factor but over the decades it has magnified in proportion as people wanted to increase the sale of the agricultural outputs. Deforestation no doubt would provide more land for cultivation but on the other hand lead to aggravating weather condition, destruction of various species and habitat and water cycle. Reforestation, if undertaken, would partly compensate for the loss of forest cover. This existed earlier.

6.5 Conclusion

In the foregoing section we learnt how agriculture meant a revolution in human history as it not only led to settled civilizations and provided us a permanent solution of how food can be acquired but also brought about far-reaching changes in the socio-political and economic activities in a society and finally, to the development of a modern city state. But every human activity has a limit and naturally agriculture started showing its adverse effects on agriculture. That is why there is an increasing demand all over the world to adopt a sustainable approach to agriculture. It means adopting tools and technology to maintain adequate production without affecting the ecological balance.

6.6 Summary

We have discussed the importance of agriculture and the coming of the agricultural society as a historical event in human civilization. We have described the characteristic of agricultural mode of production. We have tried illustrating upon the symbiosis between the economy and society in the functioning of the Domestic Mode of Production. We have shown how agriculture was a revolution in human history as it not only led to settled civilizations and provided us a permanent solution of how food can be acquired. It also brought about far-reaching changes in the socio-political and economic activities in a society and finally, to the development of a modern city state.

6.7 Questions

1. Answer briefly (6 marks, total 6-8 questions)

- When and where did agricultural society flourish?
- What was the reason behind the birth of agricultural society?
- Which areas are known as Cradles of Civilization?
- What is sustainable approach to agriculture?
- What is pastoralism?
- What is New Stone Age revolution?

2. Answer in detail. (12 marks, total 5-6 questions).

- In what way did the development of agriculture have a significant impact in human history?
- Describe in details how labour was divided under the domestic mode of production.
- What is the difference between pastoralism and agricultural production?
- How agriculture gave birth to new social hierarchies?
- What are the negative effects of agriculture on environment?
- How were new cities formed as a result of agricultural expansion?

3. Essay Type Question. (20marks, total 3-4 questions).

- Describe how society was transformed under agricultural system
- What was the economic and political structure under agricultural system?
- What are the characteristic of the agricultural society? How does it differ from the foraging society?
- Describe how agriculture led to the depletion of natural resources.

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UNIT-7 : Feudalism

Structure of the Unit :

- 7.0 Learning Objectives
- 7.1 Introduction
- 7.2 The Feudal Social Structure
- 7.3 Economy and Society under Feudalism
- 7.4 Society under Feudal Structure
- 7.5 Polity and Law
- 7.6 Economy
- 7.7 Decline of Feudalism
 - 7.7.1 Social causes
 - 7.7.2 Political changes
 - 7.7.3 The Hundred Years' War
- 7.8 Conclusion
- 7.9 Summary
- 7.10 Questions
- 7.11 References
- 7.12 Glossary

7.0 Learning Objectives

To illustrate the following:

- The nature of the feudal social structure
- The character of economy and society under Feudalism
- The causes and implications of the decline of Feudalism

7.1 Introduction

Feudalism is one of the most crucial phenomena that lasted in human history for long and paved the way for enactment of rules, laws and customs which had undergone a number of changes and amendments through the ages. The purpose of this module is to see how feudalism, which began centring allocation and distribution of lands, emerged

as a powerful mechanism to rule societies. The Middle Ages in Western Europe was dominated by the feudal land system; it began approximately in 400 C.E and lasted roughly till 1100 C.E and within this period, feudalism brought about a number of changes in European society.

Feudalism as a system of government arose in the 9th century in medieval Europe which continued till the 15th century. It was a combination of military rules and legal customs with land at the centre of governance. The feudal social structure revolved around relationships emerging from holding of land in exchange for labour or any other service. Belgian historian Francois-Louis Ganshof describes feudalism as "a set of reciprocal legal and military obligations among the warrior nobility revolving around three key concepts of lords, vassals and fiefs." (Ganshof, 1996)

Feudalism refers to the model of governance from the medieval period which pre-dates the birth of the modern nation-state. It is a system where the lords or the rulers offer the fiefs or the fighters a unit of land to control in exchange for military service. The vassal is the individual who accepted this land granted by the lord or the liege. This military service ranged from a 40 days' service per year or for an indefinite time in the battlefield depending on the circumstances around. Certain factors such as quality of the land, local customs, and the expertise of the fighter and the financial status of the lord always played an important part in determining the feudal land grants.

Feudalism, during the late medieval period saw the fiefdom becoming hereditary and the son of a lesser nobleman or a knight would inherit the land and the military duties from his father upon his death. The feudal system of governance has two major impacts on medieval society.

1. It discouraged any type of unified government. Individual lords would divide their lands into small fragments to give to the knights to manage. These lands would be further subdivided into smaller fiefs and given to other knights or noblemen. Therefore we see that the feudal governments was basically an arrangement between individuals, not between nation-states or the citizens.
2. Trade or economic transactions were prohibited under feudalism. The serfs were the peasant farmers who worked on the individual plots of land and were forbidden to move or switch occupations without taking proper permission from their lord. The serfs would owe the lords a specific number of days each year in which they would work on the latter's field in exchange for a right to work in their own lands. The landlords on the other hand might claim one-third or one-half of the produce as taxes and fees for working on the land provided. Often in order to grind their grain or bake their bread they would pay a fee to the lord to use his mill or oven. They even paid a toll fee in order to access the bridges and roads built by the lords. In certain situations various peasants might come together and set up a

commune in exchange for hefty fees, or pay the lord for trying their court cases by the juries.

7.2 The Feudal Social Structure

Most of the agricultural societies, as they passed on to the medieval period assumed a feudal social set up with a hierarchical system. In the feudal system, the upper class people got the privilege to enjoy all the rights and statuses. The hierarchical structure put the king on the topmost ladder followed by knights or vassals, barons or nobles and the peasants or the serfs.

1. The King or the Monarch

He ruled the whole kingdom and was the owner of all the land in the country. Since he controlled all the assets, he had the right to decide how much quantity of land he could lease out to the barons. The barons had to swear an oath before taking up the granted land on lease in order to remain faithful to the king at all the times. In case any of the barons showed poor performance, the king had the power to withdraw the land granted and give it on lease to any other person belonging to the baron class. The king had all the judicial powers.

2. Nobles or Barons

The Barons or the nobles leased lands or manors from the kings. They were the second wealthiest class in the feudal social hierarchy. They were regarded as the Lord of the Manor. They established their own legal systems, had their own currency designed and set their own tax regulation schemes. Since they have taken the land from the king, they had to perform a range of tasks for the king in return. They had to serve the royal council, had to provide the king with Knights during war and political emergencies, provide food and lodging facilities to the king when the latter is travelling somewhere. They had to pay the allotted rents and taxes on time.

3. Knights/ Vassals

The barons provided the leased land to the knights and in return they provided military service to the king when it was required. Their job was also to protect the Baron and his family. They would keep a part of the land the Baron provided them and distribute the rest of the lands to the Villeins. They had their own taxation system and rent for the Villeins. The major job of the Knights were to provide protection to the king and were paid off quite well.

4. Peasants/ Serfs/ Villeins

The Villeins or the serfs formed the lowest and poorest class in feudal social hierarchy and were granted lands by the Knights. Their task was to provide food and services to their superior classes when demanded. They were not allowed to leave the Manor

without prior permission. They had absolutely no rights and were not even allowed to marry without the permission of their Lords.

7.3 Economy and Society under Feudalism

During the long historical periods of feudalism, since productivity was relatively low the primary needs for survival were living consumption and food consumption. Therefore it was necessary for the family to make sure of their own consumption with the consumption materials they created. They have different sources of household consumption which are discussed below:

- All the members of the family invest their labour to consume wealth necessary for living. After spending the necessary amount required for food, they go for barter exchange in order to procure other products and requirements for household living consumption.
- The source of funds for consumption is from the products they produce. These products are then exchanged with other means of production and are reproduced in the market. On the other hand, goods were exchanged with necessary agricultural commodities for consumption of non-agricultural families.
- Feudal society lacked in social security since the relations of production was individualistic. Therefore during bad years or natural calamities there were no relief granted as such. In extreme emergency situation the country sometimes provided relief food and other materials, yet that was inadequate.
- In feudal societies the landholders depended on the land, tools, pasture and the consumption fund that they possessed to exploit the peasants, herders or fishermen for their own profit and consumption. In the medieval feudal Europe, the state and other officials collected consumption fund revenue from many labourers. The state also levied commercial duties from pasture owners, fishing masters or landholders.
- Because of the repressive social system, occasionally accompanied by adverse climatic condition and/or epidemics, a number of farmers lost their living resources like land and labour tools. As a result they were forced to work as hired labourers for landlords, nobility or rent lands to till for the landlords. There was very little income, as a result they were always caught up in a vicious cycle of poverty and destitution. On the other hand, the traders who received consumption funds from profits had to pay a large amount to the state as duty. Therefore we can see nobody profited much from the feudal socio-economic structure.

7.4 Society under Feudal Structure

In a feudal social structure, economic, political and social institutions are not sharply differentiated. The society is primarily divided into two groups of actors: the lower

group of people carrying out the agricultural production and those enjoying the fruits of this labour, which is the upper group. The upper group of people have some property rights upon the land through which they derive their income. Such property rights are obtained via performances or services to those who are at the higher group. These are mainly military services with administrative or fiscal services in some cases. The enjoyment of income and social privileges is correlated with the ranking of the person in a group.

The members of the upper group only can participate in warfare and possess certain types of arms. The upper group of the society is organized hierarchically. They are separated into higher and lower levels and are bounded to each other through personal oaths. These oaths are taken only by the individuals of the adjoining levels of the upper groups and are accompanied by contracts specifying the rights and duties of each partner. A strong element of reciprocity is although defined in such an oath, there is an implied social hierarchy through which the major activities of the society are structured.

The lower group is generally comprised of a pool of dependant labours; they are economically and juridically bound to their landlords. The labourers are tied to a particular piece of land by extra economic means. They generally possess their own tools of production. They produce more than what they consume and the difference is given to the upper groups. Such extractions are based or justified primarily as payment in return for the use of land or a rent on land, rather than in terms of political allegiance (i.e., a tax arising from being a part of political allegiance) or in terms of providing religious duties. These extractions can however also take the form of taxes and service duties to the government or compulsory payment of tithes to the church an individual is compelled to carry out.

7.5 Polity and Law

In a feudal society, the sovereign power is 'parcelized', which made the juridical power a source of potential peasant resistance and village independence, and the relative autonomy of the medieval towns in the pre-feudal system were now divided and overlapped. The king is the de facto ruler; although he is at the top of the economic, social and political hierarchy yet he is politically weak when it comes to taking decisions, since power is now decentralized. This happens when there is an emergence of numerous landlords claiming power. The compartmentalization of power can occur horizontally, where the members of the lower groups can become a feudal lord for rent payment or for the system of local justice. The bureaucratic structure of the government is highly underdeveloped in this society and there is the supremacy of the customary laws. The legislative function of the topmost in the authority is highly limited.

The land tenure by the upper group members is generally combined with fiscal, legal and police powers. Law is enforced for members of the lower group through courts that are primarily under the jurisdiction of the landholding groups. The monetary exactions by the top group are comparatively small to other types of exactions and members of the upper group are immune from most of these. Land is held conditionally, in other words the rights in land are shared. The tenure system may or may not be formally inherited but they are extended informally through many generations of the same family. The primary right of inheritance however lies with the first born child of the family. The violations of the service terms of the land tenure is regarded as a breach of contract and a severe criminal offence.

The political scenario in a feudal society is dominated by the landlord class and that prevents the peasants from obtaining landownership or controlling rents, from organizing the conditions of production, from complete autonomy of the use of means of production, from controlling on the size of the plots to work on and the nature of their work and last but not the least to obtaining political power. Therefore it shows that the feudal landlords were the all in all in a feudal society, having complete political autonomy.

7.6 Economy

The upper group people of the feudal society derive the maximum benefit from the land holding as their major source of income. The direct agricultural production is the main source of income for the people of the lower groups. No other activities are as important as economic activities in the feudal society. Both the land and the labour productivity are relatively low and primitive agricultural techniques are used. The large estate or the manor is the major unit of production. It is self-contained in practice so that only a small percentage of total production is exchanged with people outside the manor. The exchange of produce takes place through a market organization. The land is managed directly or indirectly by the rent receiver. The members of the upper group exact a certain share of production from the members of the lower group and this exaction takes the form of either labour services or produce rents, money rents, extractions through the exchange process and extraction through the administration of justice. The labour services are generally in the form of agricultural work on the land or other services like collecting firewood or as forced labour exacted in lieu of taxes. The produce rents include a fixed amount of agricultural goods, a share of agricultural production and other goods. Money rents can be either in the form of a fixed amount or a variable amount dependent on the net income. Exactions through the exchange process relates to monopolies where members of the upper group force the members of the lower groups to use a mill or buy certain services only from selected sources. The feudal landlord is much more interested in the prestige of landholding than in the productivity or profit extracted. The economy is only limited to the marketing of land or labour services.

7.7 Decline of Feudalism

There were a number of reasons which led to the decline of Feudalism. It is to be remembered at this point that nothing in the society stays permanently and change is the only constant factor. So following that procedure, feudalism also declined. There were a number of immediate social causes and historical factors which resulted in feudalism's failure.

7.7.1 Social causes

- a. The feudal lords, especially in England, started to shift to money-based economy from a land-based economy due to the expansion of overseas trade. This happened after the Crusade war in the Middle Ages when the competition for occupying maritime trade occurred.
- b. The Black Death took place, a plague claimed one third of England's population. This made labour a valuable commodity as it wasn't easily available anymore.
- c. An increase in the consciousness among the peasants regarding their rights as a result of which they demanded certain changes to be made. Although Charters were drawn up and granted, but the noble lords refused to impose them. As a result they started migrating to other places where they had more freedom.
- d. Expansion of trade resulted in the discovery of new places and thereafter towns were established.
- e. Lands were rented and so the absolute ownership of the lords over lands was reduced.
- f. The Feudal levy which was imposed didn't attract interest. With passage of times the Nobles preferred to pay the king rather than raise troops by themselves. Ultimately the authority of the Nobles became weak and the King grabbed their lands and powers.
- g. A centralised government was formed and the armed men were given a wage. Taxes and loans started financing the medieval warfare.

There were a handful of historical events of political significance which led to feudalism's decline :

7.7.2 Political changes

King Henry II who ruled England from 1154-1189 undertook a number of legal reforms. Cases began to be tried before a royal judge and people could no longer be jailed or given absolute punishment without citing proper legal reason. As a result, the feudal lords lost their juridical power. They even went into a direct conflict with the Catholic Church.

In 1199, King John, who was Henry II's youngest son became the king of England. He imposed heavy taxes on the barons and didn't pay heed to their traditional rights and arrested whoever opposed him. He even collected huge amounts of money from the Catholic Church's property. In June 1215, after a meeting with the nobles and lords, King John issued the famous Magna Carta or the Great Charter which was a written agreement among the monarch and the nobles. The nobles supported the rule of the monarch only on the ground that the king would acknowledge the traditional rights of the nobles and the Church and respect the common law. It was also agreed upon that no man should be jailed without any strong evidence of his crime and without consulting the judges and following the laws of the land. This was the beginning of the nobles losing their monopoly of rule as it ushered in a more rule-based and systematic governance.

7.7.3 The Hundred Years' War

The Hundred Years' War was another historical event that affected feudalism. The long drawn conflict which started in 1337 and continued till 1453 between England and France for occupying land in the French region dwindled the feudal rule in Europe. The war shifted power from the feudal lords and was allocated in the hands of monarchs and common people. The monarchs collected heavy taxes and raised their own armies and no longer relied on nobles for supplying armies. Moreover the nature of war advanced a lot which made the nobles' old system of castles and knights less suitable for the war.

There was a heightened sense of nationalism growing among those who participated in the war. They felt a need to protect their own country and showed their allegiance to the one who was defending their country that is the monarchs. There was no need to show loyalty to any other being, like the feudal lords, barons and nobles. This feeling of patriotism and national unity overshadowed the impact of feudalism in the society. Those who were forced to participate in the war were also required to pay heavy taxes to keep the war ongoing. The survivors of the war were recruited as soldiers or workers.

So a combination of the above mentioned factors led to the abolition of feudalism. With the expansion of trade and commerce and common people refusing to revert to the old social order, the prestige of the nobles and the feudal lords diminished. The Magna Carta expanded its meaning and function and started talking about the rights and liberties of individuals in England.

7.8 Conclusion

With the decline of feudalism, the absolute ownership on land declined and land became a property of the monarchs. There were a number of changes in legal structure, economic and political institutions. By the 13th century there was an increase in commercial transactions and coins began to be used heavily, exactly opposite to how feudal-

ism worked. The lords paid their sovereign heads through money instead of providing military services. The monarchs also relied heavily on the military services and the nobles lost their importance. A rich merchant class was born which later transitioned into the initial stage of capitalism.

7.9 Summary

Feudalism is one of the most crucial events that lasted in human history which paved the way for the enactment of rules, laws and customs which had undergone a number of changes and amendments throughout ages. We discussed at length the nature and character of the feudal structure and how it impacted the society. We concluded that with the decline of feudalism, the absolute ownership on land declined and land became a property of the monarchs. As a result, a rich merchant class was born which later transitioned into the initial stage of capitalism.

7.10 Questions

Answer briefly (6 marks, total 6-8 questions)

- When did feudalism emerge and where?
- Who were the parties to the feudal social structure?
- Who is a vassal?
- What were the factors which were considered to give feudal land grants?
- What is Magna Carta?
- What is Hundred Years' War?
- Who are the Villeins?
- Who are Barons?

Answer in detail. (12 marks, total 5-6 questions)

- What were the impacts of feudal system of government on medieval Europe?
- Describe in detail the feudal social structure
- What were the social reasons for decline of feudalism?
- Describe the social structure under feudal system.
- What was the legal-political structure in the society under feudalism?
- How did the Hundred Years war contributed to the decline of feudalism?

Essay Type Question. (20marks, total 3-4 questions).

- What are the reasons for the decline of feudalism?

- Describe the feudal social structure
- How was the society under feudal social structure?
- What are the differences between feudalism and capitalism?

7.12 References

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7.11 Glossary

Feudalism it was the system of governance in Medieval Europe in the 9th to 15th centuries where by a social hierarchical system was established centering on the administrative control and distribution of land into units.

The vassals were the lords who hold land and were paid homage. The villein was a peasant who worked in the lord's land and also paid dues for allowing to work in the land.

The Magna Carta or the Great Charter was an agreement between King John and the noble lords which established the principle that law should be the basis of governance and equally applicable to everyone.

Unit 8 : Capitalism

Structure of the Unit :

- 8.0 Learning Objectives
- 8.1 Introduction
- 8.2 Systems of Production, Circulation and Consumption
- 8.3 Systems of Production
- 8.4 Systems of Circulation
 - 8.4.1 Understanding Circular flow of Income
- 8.5 Systems of Consumption
 - 8.5.1 Factors affecting consumption
- 8.6 Capitalism
 - 8.6.1 The Origins of Capitalism
 - 8.6.2 Types of Capitalism
- 8.7 The Characteristics of capitalism
- 8.8 Evaluation
- 8.9 Conclusion
- 8.10 Summary
- 8.11 Questions
- 8.12 References

8.0 Learning Objectives

To give explanations for the following :

- The concepts of economic sociology
- The origin and characteristics of capitalism.
- The evaluation of capitalism.

8.1 Introduction

Let us begin with a short introduction to the unit.

Production, Circulation and consumption as economic items are the basic requirements of any society that is on a growth process. A study of these economic processes also helps improve the socio-economic conditions of the people in a welfare

state.

Capital is essential in every sort of economy, both in private and public sector. Hence, how it is used in different patterns of government is to be studied so that one can learn how from the perspective of democracy capital is to be properly used for the welfare of the people and overall progress of the national economy.

Socialism is that system which emphasizes on the public ownership, abolition of exploitations of man by man and all physically & mentally able-bodied people will work. In the present pattern of socialist system, private ownership in limited sphere has been permitted under the supervision of public ownership.

In India about 60 to 70% of the people live in rural areas. The farmers occupy the major percentage of population. Unfortunately, economic conditions of the farmer are still poor even after 75 years of independence and there occurs large number of suicides among the farmers in different parts of the country every year. Hence, how the farmers can be economically stable and not forced to loan and commit suicide are to be seriously studied.

8.2 Systems of Production, Circulation and Consumption

Economic Sociology or the Sociology of Economic Life is comparatively a new branch of sociology. According to Neil J. Smelser economic sociology can be defined as the application of the general frame of reference, variables and explanatory models of sociology to that complex of activities concerned with the production, distribution, exchange and consumption of scarce goods & services.

The first focus of economic sociology is on economic activities alone. The economic sociologist studies how these activities are structured into roles and collectivities. He inquires by what values these activities are legitimised, by what norms and sanctions they are regulated, and how these sociological factors or variables interact.

The second focus of economic sociology is on the relations between sociological variables or factors as they manifest themselves in the economic as well as non-economic context, such as how familial roles associate with occupational role of a local community and the control of its political structure. This focus includes both situations in which economic and non-economic structures are integrated with one another.

In short, economic sociology or socio-economics deals with the analytical, political and moral questions arising at the intersection between economy and society from a broad interdisciplinary perspective with links beyond sociology to political economy, moral philosophy, institutional economics and history.

'In the Sociology of Economic life', editors Mark Granovetter and Richard Swedberg incorporate classic and contemporary readings in economic sociology and related disciplines to provide students with a broad understanding of the many dimensions

of economic life.

8.3 Systems of Production

Economic Production is an activity carried out under the control and responsibility of an institutional set-up that uses inputs of labour, capital and goods and services to produce outputs of goods or services. It is the act of creating an output, a good or service which has value and contributes with utility of individuals.

Economic well being is created in a production process, meaning all economic activities that aim directly or indirectly to satisfy human wants and needs. The degree to which the needs are satisfied is often accepted as a measure of economic well being.

In production there are two features which explain increasing economic well being. They are (i) improving quality-price ratio of goods and services and (ii) increasing incomes from growing and more efficient market production.

The most important forms of production are : (i) market production, (ii) public production and (iii) household production. In order to understand the origin of economic well-being, we must understand these three production processes. All of them produce commodities which have value and contribute to well-being of individuals.

The satisfaction of needs originates from the use of the commodities which are produced, The need satisfaction increases when the quality-price ratio of the commodities improves and more satisfaction is achieved at less cost.

Improving the quality-price-ratio of commodities is to a producer and essential way to improve the competitiveness of products but this kind of gains distributed to customers cannot be measured with production data.

Improving the competitiveness of products means often to the producer lower product prices and therefore losses in incomes which are to be compensated with the growth of sales volume.

In studying production from the standpoint of Marxism, Tom Bottomole ore has noted that in the world of politics Marxism is associated with the struggle for communism, in its theory it is identified with the fundamentally determining mole played by production.

Each society is characterized by a definite configuration of socially and historically constituted forces and relations of production which constitute the basis upon which other economic and social relations rest.

8.4 Systems of Circulation

The Circular flow of income is a neo-classical model depicting how money flows through the economy. In its simplest version, the economy is modeled as consisting

only of households & firms.

Money flows to workers in the form of wages and money flows back to firms in exchange of products. In short, an economy is made up of countless circular flows of income (or money).

8.4.1 Understanding Circular flow of Income

Most, though not all, people go to work daily to earn a living. The money that is earned is used to purchase goods and services from businesses such as food, clothes, rent, basic commodities, entertainment services, health and as well as products etc.

The income earned daily flows back to businesses continuously in a cycle known as the circular flow of income.

Businesses and companies manufacture goods or provide services to consumers. To increase sales and profits, these companies use factors of production – labour, capital and land – to run their operations and grow their businesses.

In return for their services, the hired labour is given a wage or salary, known as income. The income received is used by households and individuals to purchase the goods and services produced by these businesses.

The businesses use the proceeds from the sales to produce more products and pay workers for their labour.

In addition to the household sector that spends goods and the business sector that produces the goods, two sectors that are also included in the circular flow of income include the government sector and the foreign sector.

The government injects money in to the circle through government spending on things like welfare programmes and infrastructure money is also added to the circular flow through exports which is notes foreign entities purchasing goods from the economy. Businesses that invest money to purchase capital stocks contribute to the flow of income in the economy.

Just as money is injected in the economy, money can also be withdrawn or leaked through a number of activities taxes imposed by the government reduce the flow of income. Money that is used to pay foreign entities for goods and services through imports also constitutes a leakage, otherwise called outflow.

Finally, savings of business which could otherwise have been invested leads to a decrease in the circular flow of an economy's income.

By tracking the injections into and withdrawals from the circular flow of income the government can calculate national income which is the wages and other forms of income received by household for their services.

In Marxist theory a clear distinction is drawn between the sphere of production, from which surplus value originates and the sphere of exchange in which commodities

are bought and sold and finance is organized.

During the accumulation of capital, there is a constant movement between these two spheres of activity and this constitutes the circulation of capital.

8.5 Systems of Consumption

Consumption, defined as spending for acquisition of utility, is a major concept in economies and is also studied in many other social sciences. It is seen in contrast to investing, which is spending for acquisition of future income.

Different schools of economists define consumption differently. According to the mainstream economists, only the final purchase of newly produced goods and services by individuals for immediate use constitutes consumption, while the other types of expenditure in particular, fixed investment, inter mediate consumption, and spending, are placed in separate categories.

Other economists define consumption much more broadly, as the aggregate of all economic activities that do not entail the design, production & marketing of goods and services.

Hazel Kyrk in the book 'A Theory of Consumption' (1923) has said the nature and scope of study of 'consumption' is linked with the term 'consumer'.

However, it is also obvious that there is no separate class, we may call consumers. For consumers are all of us. Hence, consumers are simply the general public.

Now that word 'Consumption' is usually taken to signify the 'use of goods' in the satisfaction of human wants and for the purpose of enjoyment. Consumption would be understood as the laws of utilization or enjoyment.

The Keynesian consumption function is known as the absolute income hypothesis as it only bases consumption on current income and ignores potential future income.

Macroeconomists are interested in aggregate consumption for two distinct reasons. First, aggregate consumption determines aggregate saving, because saving is defined as the portion of income that is not consumed.

Second, since consumption expenditure accounts for most of national output, understanding the dynamics of aggregate consumption expenditure is essential in understanding macroeconomic fluctuations and the business cycle.

Microeconomics have studied consumption behavior for many different reasons using consumption data to measure poverty, to examine household's preparedness for retirement or to test theories of consumption in retail industries.

More recent theoretical approaches are based on behavioral economics and suggest that a number of behavioral principles can be taken as microeconomic foundations for a behaviorally-based aggregate consumption function.

Again, in the tradition of Columbia School of Household Economics, also known as the New Home Economics, commercial consumption has to be analyzed in the

context of household production.

Consumption can also be measured by a variety of different ways such as energy in energy economics metrics.

8.5.1 Factors affecting consumption

There are some factors which affect consumption : (i) **prices** –If prices are higher, then a person’s total level of consumption will be lower, because consuming will use up a higher percentage of a person’s income.

(ii) Tax rate : As taxes on goods and services (Sales Tax, GST) rise, people may not be able to afford much as they used to and as a result will consume less.

Again, the income tax rates one pays also affects his/her ability and decision to consume. Higher tax rates lead to less disposable income.

(iii) Saving : People generally have two things they can do with their money. They can save or they can spend. The more money, they can save or they can spend. The more money people save, the less they have to consume in the short run.

(iv) Consumer confidence : If people are worried about the economy of their own future income they may delay making purchases in order to provide some safety & extra cash for future expenses. They will save or delay their consumption until they feel better about that lies ahead.

Importance of consumption : Every time one purchases food by debit or credit card one is adding to consumption is thus one of the bigger concepts in economics & is extremely important because it helps determine the growth and success of the economy. Business can open up & offer all kinds of great products, but we don’t purchase or consume their products, they won’t stay in business for long. If they don’t stay in business, many of us won’t have jobs or the income to buy goods or services.

8.6 Capitalism

Economists, Political Economists, Sociologists & Historians have adopted different perspectives in their analysis of capitalism & have recognized various forms of it in practice. These include laissez fare or free market capitalism, welfare capitalism & state capitalism, capitalist mode of production, free enterprise economy, free market economy, neo-liberalism, self regulating market etc.

Anyway whatever be the terms or form, capitalism in simple terms is meant as an economic system based on private ownership of the means of production & the creation of goods or services for profit. In it the government plays a secondary role. People and venture companies make most of the decision and own most property. Goods are usually made by companies and sold for profit. The means of production are largely or entirely privately owned (by individuals or companies) and operated for

profit.

The term 'capitalism' is derived from 'capital' which evolved originally from the Latin word 'Capital' meaning head. It was used to mean how many heads of a cattle a rich person owned in days long ago when cattle were used as money. In fact the words 'capital' and 'cattle' come from 'caput'.

Again, 'capital' is a term devoting a factor in the mode of production along with three other factors land, labour & entrepreneurship. Out of the interaction of these four factors, an output occurs and the class which controls these means of production occupies power.

8.6.1 The Origins of Capitalism

The origins of capitalism are traced variously to the growth of merchant capital and external trade or the spread of monetary transactions within feudalism via commuting of feudal rent and services.

This debate concerns the transition from feudalism to capitalism and pertains mainly to western European experience where capitalism first emerged.

Whatever the reasons for its origins, the period from about the 15th century to the 18th century is generally accepted as the merchant capital phase of capitalism. Overseas trade and colonialism carried out by the state-chartered monopolies played a pivotal role in the phase of capitalism in Holland, Spain, Portugal, England and France. Maritime trade became cheaper than overland trade on account of the invention of fast moving ships, and hitherto undiscovered areas were linked in a trade network involving slaves, precious metals & simple manufactures.

The industrial phase opened with the upsurge in power-using machinery known as the Industrial Revolution. Eventually the revolution spread across different industries of Western Europe and North America.

This phase saw the parallel growth of the science of political economy and the ideology of laissez faire. It was marked by a struggle to curtail or eliminate the role of the state in the control of the labour market, of foreign trade and domestic trade, and the theories of Adam Smith and Ricardo became powerful weapons in this battle.

In England at least, the ideological battle for laissez-faire was won in the 1840s with the repeal of corn laws, the passing of the Banking Act and the repeal of the Navigation Acts. The reform of the poor law rationalized state support of the poor and the indigent, in line with laissez faire doctrines.

The philosopher, Adam Smith's book, 'The Wealth of Nations', was an important book that developed the ideas of capitalism and the free market. The word 'capitalism' was not used until the 19th Century. The greatest invention of capitalism is often said to be the joint stock company. A joint stock company is a business where different

stocks can be bought and owned by shareholders. Each shareholder owns company stock in proportion to the number of their shares.

Before we discuss the modern aspect of capitalism and attempt its evaluation it would be worthwhile to not briefly the different types of capitalism.

8.6.2 Types of Capitalism

(i) Agrarian Capitalism

The economic foundation of the feudal agricultural system began to shift substantially in the 16th century England as the manorial system had broken down and land began to become concentrated in the hands of the fewer landlords with increasingly large estates.

Instead of a serf-based system of labour, workers were increasingly employed as a part of a broader and expanding money-based economy. The system put pressure on both the landlords and the tenants to increase the productivity of agriculture to make profit, the weakened coercive power of the aristocracy to extract peasant surpluses encouraged them to try better methods, and the tenants also had incentive to improve their method in order to make the most of a competitive labour market. Terms of rent for land were becoming subject to economic market forces rather than to the previous stagnant system of custom and feudal obligation.

By the early 17th century, England was a centralized state in which much of the feudal order of Medieval Europe had been swept away.

The capital acted as a central market hub for the entire country, creating a very large internal market for good, contrasting with the fragmented feudal holdings that prevailed in the most parts of the continent.

(2) Mercantilism : The economic doctrine prevailing from the 16th to 18th centuries is commonly called mercantilism. This period, the age of Discovery, was associated with the geographic exploration of the foreign lands by merchant traders, especially from England and other European countries.

Mercantilism was a system of farads for profit, although commodities were still largely produced by non-capitalist methods. It is defined as the theory and system of political economy prevailing in Europe after the decline of feudalism. Based on national policies of accumulating bullions, establishing colonies and a merchant marine, and developing industry and mining the colonial powers were able to attain favourable balance trade.

It is further noted that Mercantilism also called commercialism is a system in which a country attempts to amass wealth through trade with other countries, exporting more than it imports and increasing stores of gold and precious metals.

The British East India Company and the Dutch East India Company inaugurated an expansive era of commerce and trade these companies were characterized by their colonial and expansionary powers given to them by colonial nation states.

(3) Industrial Capitalism : In the mid 18th Century, a new group of economic theorists, led by Daniel Hume and Adam Smith, challenged fundamental mercantilist doctrines such as the belief that the world's health remained constant and that a state could only increase its wealth at the expense of another state.

During the Industrial Revolution, industrialists replaced merchants as a dominant factor in the capitalist system and affected the decline of the traditional handicraft skills of artisans, guilds and journeymen.

Also during this period, the surplus generated by the rise of commercial agriculture encouraged increased mechanization of agriculture.

Industrial capitalism marked the development of the factory system of manufacturing characterised by a complex division of labour between and within work process and the routine of work tasks, and finally established the global domination of the capitalist mode of production.

(4) Advanced Capitalism : Advanced Capitalism is the situation that pertains to a society in which the capitalist model has been integrated and developed deeply and extensively for a prolonged period.

Various writers identify Antonio Gramsci as an influential early theorist of advanced capitalism, even though he did not use the term himself in his writing. Gramsci sought to explain how capitalism had adapted to avoid the revolutionary overthrow that had seemed inevitable in the 19th century.

At the heart of Gramsci's explanation was the decline of raw coercion as a tool of class power, replaced by use of civil society institutions to manipulate public ideology in favour of the capitalist behavior.

Jurgen Habermas has been a major contributor to the analysis of advanced capitalistic societies. Habermas has observed four general features that characterize advanced capitalism in the following – (i) Concentration of industrial activity in a few large firms, (ii) Constant reliance on the state to stabilize the economic system, (iii) A formally democratic government that legitimises the activities of the state and dissipates opposition to the system. (iv) The use of nominal wage increases to pacify the most restless segments of the work force.

(5) Finance Capitalism : In their critique of Capitalism, Marxism and Leninism both emphasized the role of finance capital, as the determining factor of ruling class interest in capitalist society, particularly in the later stages.

Rudolf Hilferding is credited with first bringing the term 'finance capitalism' into

prominence through 'Finance Capital'. His 1910 study of the links between German trusts, banks and monopolies, was subsumed by Lenin into Imperialism, the Highest stage of Capitalism (1917), his analysis of the Imperialist relations to his great world peers.

(6) Free Market Economy : Free market economy refers to a capitalist economic system where prices for goods and services are set freely by the forces of supply and demand and are expected to reach their point of equilibrium, without much intervention by government policy. It typically entails support for highly competitive markets and private ownership of productive enterprises.

Laissez faire is a more extensive form of free market economy where the role of the state is limited to protecting property rights of private firms and market generated law.

(7) Social Market Economy : A Social market economy is a nominally free market system where government intervention in price control is kept to minimum. However the state provides significant services in the area of Social security, unemployment benefits and recognition of labour rights through national, collective bargaining arrangements.

This model is prominent in western and north European countries as well as Japan, albeit in slightly different configuration. The vast majority of enterprises are privately owned in this economic model.

(8) State Capitalism : State Capitalism is an economic system in which the state undertakes commercial (i.e. for-profit) economic activity and where the means of production are organized and managed as state owned business enterprises (including the processes of capital accumulation, wage labour and centralized management or where there is otherwise a dominance of corporatized government agencies (agencies organized along business management practices) or of publicly listed corporations in which the state has controlling shares.

Marxist literature defines state capitalism as a social system combining capitalism with ownership or control by the state--by this definition a state capitalist country is one where the government controls the economy and essentially acts like a single huge corporation, extracting the surplus value from the workforce in order to invest it in further production.

The term 'State Capitalism is also used by some in reference to a private capitalist economy controlled by a state, often meaning a privately owned economy that is subject to statist economic planning. This term was often used to describe the controlled economies of the great powers in the First World War. In other words, State Capitalism is a system where the state intervenes in the economy to project and advance the interests of big business.

In 'Socialism : Utopian and Scientific' (1890), Friedrich Engels argued that state ownership as such does not do away but hastens the final stage of capitalism, consisting of ownership and management of large-scale production and communication by the bourgeois state. He argued that the tools for ending capitalism are found in state capitalism.

8.7 The Characteristics of capitalism

In view of the above noted evolution and types of capitalism, we can now note capitalism possesses the following characteristics that capitalism possesses in general-

(i) **Capital accumulation** – Production for profit and accumulation is the implicit purpose of all or most of production, constriction or elimination of production formerly carried out on a common social or private household basis.

(ii) **Commodity production** – Production for exchange on a market to maximize exchange-value instead of use-value is emphasized.

In mixed economics, which are almost universal to-day markets continue to play a dominant role, but they are regulated to some extent by the state in order to correct market failures, promote social welfare, conserve natural resources, fund defense and public safety or other rationale.

In state capitalist systems, the state relies heavily on state – owned enterprises or indirect economic planning to accumulate capital

(iii) **Profit Motive** : The profit motive in theory of capitalism is the desire to earn income in the form of profit. Stated differently, the reason for a business existence is to turn a profit.

The profit motive functions, according to rational choice theory, or the theory that individuals tend to pursue what is in their own best interest. Accordingly, businesses seek to benefit themselves and / or their share holders by maximizing profit.

Austrian economist Henry Hazlitt explains, 'If there is no profit in making an article, it is a sign that the labour and capital devoted to its production, are misdirected.'

(iv) **Private Property** : Hernando de Soto, a Russian economist, has argued that an important characteristic of capitalism is the functioning of state protection of property rights in a format of property system where ownership and transactions are clearly recorded.

(v) **Market Competition** : In capitalist economics, market competition is the rivalry among sellers trying to achieve such goals as increasing profits, market share and sales volume by varying the elements of the marketing mix : price, product, distribution and promotion.

(vi) **Economic Growth** : Historically capitalism has an ability to promote economic

growth as measured by Gross Domestic Product (GDP), Capacity Utilization or standard of living. This argument was central, for example, to Adam Smith's advocacy of letting a free market control production and price and allocation of resources.

(vii) **As a mode of Production :** The Capitalist mode of production refers to the systems of organizing production and distribution within capitalist societies, private money-making in various forms (renting banking merchant trade, production for profit and so on) preceded the development of the capitalist mode of production as such.

The term capitalist mode of production is defined by private ownership of the means of production, extraction of surplus value by the owning class for the purpose of capital accumulation, wage-based labour and at least as far as commodities and services are concerned, being market based.

8.8 Evaluation

After the study of the evolution, features and types of capitalism we are now in a position to evaluate the concept capitalism from two perspectives – first, those who positively view capitalism and those who criticize or disagree with defenders of capitalism and finally we can sum up the concept from practical perspective.

In many parts of the world, there are people who are called either conservatives or liberals (especially market liberals). In the United states, the word 'liberal' can mean some one whose beliefs lean towards social liberalism. Liberalism is a word that in America and some other countries means some one who wants the government ought to have little or no power to tell people what to buy or sell, and for what purpose,

The reasons for capitalism are not just economic they are political as well. They make one believe that government control of the economic leads to loss of liberty by the citizen. The underlying reason was best put by Friedrich Hayek, who connected the open society with respect to the individual, and tolerance for the differences between people.

People who support capitalism also have disagreements. Most people agree that capitalism works better if the government keeps people from stealing over people's things. If people could steal anything then nobody would want to buy anything.

In most countries, the government does more than that. It tries to make sure that people buy and sell fairly and that employment is fair. Because the government takes a lot of money in taxes, it also buys a lot of things and gives a lot of money away. It spends money on guns and ships for the military, on science research in universities, and on schools and libraries. It also gives money to people who do not have jobs and support to businesses that the political leaders think are important. When the

government is in charge of part of the economy, this is called a 'mixed economy', which leaves some space for private business to flourish.

A few people think that people can protect themselves without any government. Instead of laws against stealing, people could protect their own things, or agree to pay other people such as arbitrators, insurers and private defenders to protect them. This belief is called anarcho-capitalism. These people think that the government is trying to take away their earnings because it raises taxes from people against their will and keeps them from making agreements between themselves.

Now the critics of capitalism associate the capitalist economic system with social inequality, unfair distribution of wealth and power, materialism, repression of workers and trade unionists, social alienation, economic inequality, unemployment and economic instability.

Many socialists consider capitalism to be irrational in that production and the distribution of the economy are underplanned creating many inconsistencies and internal contradictions, as well as waste of resources both human and natural.

Marxist economist Richard D. Wolf postulates that capitalist economies prioritize profits and capital accumulation over the social heads of communities and capitalist enterprises rarely include the workers in the basic decisions of the enterprise.

Democratic socialists argue that the role of the state in a capitalist society is to defend the interests of the bourgeoisie. These states take actions to implement such things as unified national markets, national currencies and customs system.

Capitalism and capitalist governments have also been criticized as oligarchic in nature due to the inevitable inequality characteristic in the name of economic progress.

According to Immanuel Wallerstein, institutional racism has been 'one of the most significant pillars of the capitalism system' and serves as the ideological justification for the hierarchization of the work force and its highly unequal distribution of reward.

Now that capitalism has matured into a globalized market-driven system, many aspects of capitalism have come under attack from the anti-globalization movement, which is primarily opposed to corporate capitalism. Environmentalists have argued that capitalism requires continual economic growth and that it will inevitably deplete the finite natural resources of earth and cause mass extinctions of animal and plant life.

Some critics argue that while neo-liberalism as the ideological backbone of contemporary globalized capitalism, has indeed increased global trade, it has also destroyed traditional ways of life, exacerbated inequality and increased global poverty with more living today in abject poverty than before.

Religions have also criticized or opposed specific elements of capitalism. Traditional

Judaism, Christianity and Islam forbid lending money at interest, although alternative methods of banking have been developed. Catholic pope Francis described unfettered capitalism as a new tyranny and called world leaders to fight rising poverty and inequality.

Socialists maintain that although capitalism is superior to all previously existing economic systems. (such as slavery or feudalism), the contradiction between class interests will only be resolved by advancing into a completely new social system of production and distribution in which all persons have an equal relationship to the means of production.

The term capitalism in its modern sense is often attributed to Karl Marx. In his *Das Kapital*, Marx analysed the capitalist mode of production using a method of understanding to be known as historical dialectics of class-based ownership of productive resources and extraction of surplus value of Labour.

8.9 Conclusion

The Capitalistic era, according to Karl Marx, dates from 16th century. Merchants and small workshops marked its beginning. Marx knew that wage labour existed in a modest scale for centuries before capitalist industry. For Marx, the Capitalistic stage of development for bourgeois society represented the most advanced form of social organization to-date, but he also thought that the working classes would come to power in a worldwide transformation of human society as the end of a series of shifts of class power first aristocratic, then capitalistic and finally working class rule was reached.

In 'Imperialism, the highest stage of Capitalism' (1916), Vladimir Lenin further developed Marxist theory and argued that capitalism necessarily led to monopoly capitalism and the export of capital which he also called imperialism to find new markets and resources, representing the last and highest stage of capitalism.

Regarding the relation between Democracy and capitalism, Thomas Piketty of the Paris School of Economics, asserts in *Capital in the 21st Century* that inequality is the inevitable consequence of economic growth in a capitalist economy and the resulting concentration of wealth can destabilize democratic societies and undermine the ideals of social justice upon which they are built.

8.10 Summary

States with capitalistic economic system have thrived under political regimes deemed to be authoritarian or oppressive. Singapore for example, has been pointed out, has a successful open market economy as a result of its competitive business friendly climate & robust rule of law.

Nonetheless, it often comes under fire for its brand of government which though democratic and consistently one of the least corrupt, it also operates largely under one-party rule and does not vigorously defend freedom of expression. There is government regulated press as well as penchant for upholding laws and protecting ethnic and religions harmony, judicial dignity and personal reputation.

In the present scenario of the growing importance of globalization and MNCs, exploitation oriented capitalism needs to be harshly regulated by the democratic state and there should be a healthy economy for the people's welfare as in expected of a democratic state. The surplus value and profiteering must be rejected and at the same time reasonable and healthy profit is welcome which will protect the interests of the investor as well as the genuine requirement of the people as a whole.

8.11 Questions

1. Define economic sociology and its features.
2. Point out the system of production and discuss its important forms.
3. What is meant by 'circular flow of income' Point out its suitable application in a welfare state.
4. Define the idea of consumption and its different factors.
5. Discuss the study of consumption from the view point of macro-economists and micro-economists.
6. Discuss how production, circulations of capital and consumption are interrelated.
7. What are the plus points advanced in support of Capitalism.
8. Attempt a critique of Capitalism, pointing out its major fault lines.

8.12 References

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Unit 9 : Socialism

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9.13 Summary

9.14 Questions

9.15 Reference

9.0 Learning Objectives

To give an idea as to the following

- The concept of socialism
- Types of socialism.
- Essentials of socialism.
- To that will be added a balanced criticism of socialism.

9.1 Introduction

In the study of socialism, it has been observed by William Ebensteia that it is not easy to state and define when and where and how socialism first appeared.

Some hold the view that the early notion of socialism is traceable in the Republic of Plato as its ruling class had no property of its own and shared all things in common. Some trace its origin to the Bible particularly the Old Testament and link socialism with the early Christians who rejected the concept of 'Mine and thine' and practiced socialism in their everyday lives. During the Middle Ages, various sects and movements attacked wealth and commerce considering them to be wicked. However, it would stand to reason to conclude that ancient and medieval thinkers had no idea of socialism as we understand it to-day, for they ignored to problems of production and hence took for granted the a wishy-washy system of euqirable distribution.

During the Renaissance and the Reformation, there was a revival of protest against inequality based on wealth. It was well articulated in Thomas More's '*Utopia*' (Published in 1516)

That the ideal of common ownership as the basic of society's entire system of production and distribution was set forth for the first time. It has been observed that '*Utopia*' has secured an honourable place in the literature of socialism but it can hardly be said to have a direct influence upon the upcoming course of socialist thought.

Ebenstein has, however, observed that 'despite all such illustrations socialism as a major political force can properly be said to have originated as a result of industrial capitalism.' The decisive period in the development of socialism, however, was marked by the French Revolution. Its immortal trinity.... Liberty, equality and fraternity – removed the last ideological and psychological barriers to the development of a real socialist movement. In the half century after the French Revolution, the lower classes began to raise the question of real inequalities of living conditions which were rooted

in the existing property system. This mode of thinking was clearly foreshadowed in the writings and activities of Babeuf, the one important socialist figure of the French Revolution. Towards the end of the 18th century when the French Revolution was losing ground to reaction, Babeuf and his associates (Known as 'Equal's) issued the 'Manifesto of the Equals' proclaiming thorough going communism as the aim of revolution. But the compulsion of capture of political, power failed. Babeuf and one of his comrades were tried and executed.

As the 19th century dawned a distinct socialist school of thought began emerging and socialist movements gradually took a more stable character in England and France, the two big nations in which capitalism was rapidly expanding. The most prominent and influential of these early 19th century socialists had been utopian socialists, namely, St-Simon and Fourier in France and Robert Owen in England. Owen believed that the doctrine of laissez-faire caused men to act selfishly rather than for the good of the community. He would educate people to the idea of cooperation and unselfish community action. In this way planned cooperative communities would come into being. Living wages would be paid to workers. Social benefits such as housing, hospitals and educational institutions for all would be promoted. Owen sought to accomplish his ideas, first, in New Lanark Scotland, then in New World at New Harmony, Indiana, he attempted to establish such cooperative industrial communities. While his experiments failed, his ideas spread as the basis for the cooperative movement. St. Simon held that captains of industry should be enlightened to bring new society into being. Planning would promote productivity and eliminate wasteful competition Ethically, he would have the poor treated as Jesus treated them. Fourier, on the other hand, wished to establish small, self-sufficient non-political communities called phalanxes. They would share in the work of the community in accordance with their interests. The fruits of the labour would be shared in accordance with the work done by each.

In short, Owen, St. Simon and Fourier, formulated the principles of a better society but did not look at all to political action for bringing about the changes. They believed that the desired changes could be achieved through appeals to the reason and sense of justice of those who already possessed power and wealth. They founded experimental communities and cooperative associations. But utopia as they were, all their attempts failed, and they were cut off in course of time, from all contact with the main stream of history.

Yet modern socialism is greatly indebted to utopians. Marx and Engels drew much of the raw materials from their writings. Further, the utopians were the first to make socialism a genuine public issue, to spread the new ideas from England and France to Belgium, Switzerland and Germany in the East to America in the West.

It was again in the first half of the 19th century when socialism acquired for the first time a working, clear, political movement and that too in England.

The Chartist Movement in England was a socialist movement in the sense that it was the first example in history of organized political action on the part of the working people. The Chartists for the most part agreed with the ultimate aims of the utopians but they believed that a pre-condition of the realization of the proposal of the Owenites was the political, emancipation of the working class.

It was left to Marx and Engels to combine all the rich but scant materials to be found all around them into a neat socialist synthesis. With the publication of the communist Manifesto, the socialist movement became more imminent and its various dimensions became political, economic and democratic in nature.

9.2 Definition of Socialism

In the study of definitions of socialism, Prof. C.E.M. Joad in his 'Introduction to Modern Political Theory' has noted at the outset three reasons or difficulties to define socialism.

The first reason of difficulty is that the word socialism is used to denote both a body of doctrines and a political movement.

The Second reason is that the body of doctrines which may roughly be called socialism is by no means wholly or even mainly, political. To a large extent, it is economic and economic and political theories are so closely interwoven that it is not practicable or desirable to confine description solely to the political aspects of socialism.

Thirdly, the socialists are a divided house. They are divided into a number of opposing schools which are separated by differences with regard to the account of socialism. Good has thus observed that socialism, in short, is like a "hat that has lost its shape because everybody wears it."

In spite of the difficulties mentioned above, we can note some important and popular definitions of socialism. According to the Encyclopedia Britannica, 'Socialism is that policy or theory which aims at securing by the action of democratic authority a better distribution and in due subordination to the state, a better production of wealth than now prevails.

Socialism is defined in *Dictionary of Politics* as a political and economic theory according to which the means of production, distribution and exchange should be owned and controlled by the society. Everyone should be given an equal opportunity to develop his/her talents and the wealth of community should be fairly distributed.

Herbert Bland observes, 'Socialism is the common holding of the means of production and exchange and holding of them for the benefit of all.

G.D.H. Cole says, “socialism means four closely connected things – a human fellowship which denies and expels distinctions of class system in which no one is so much richer or poorer than his neighbours as to be unable to mix with him in equal terms, the common ownership and use of all the vital instruments of production and an obligation upon all citizens to serve one another according to their capacities.”

According to Jayprakash Naryan, Socialism means a classless society in which all are workers. It is a society in which human labour is not subject to exploitation with interest of private property, in which all wealth is truly national or common wealth in which there is no unearned income and no large income disparities, in which human life and progress are planned and where all live for all.

9.3 Types of Socialism

Having familiarized ourselves with the evolution and definition of socialism, we can note the different types of socialism in the following sub-sections.

9.3.1 Evolutionary Socialism

The main contention of evolutionary socialism is that socialism can be established through evolutionary methods – through democratic reform, parliamentary elections progressive legislation, progressive taxation, nationalization of capturing political power through elections.

Evolutionary socialism does not believe in the Marxian theory of revolution for the overthrow of capitalism. It has faith in the capacity of the state to bring about socialism through gradual reform.

In a letter written in October, 1898, Bernstein (1850-1932) emphasized the following main features of evolutionary socialism-

- (a) It is a mistake to believe that the collapse of capitalism is imminent, its nature can be changed and controlled private property can be gradually controlled and capitalism can be done away with through evolutionary changes.
- (b) Through organized trade unions and their struggle for economic and other demands, the condition of the working class can be improved.
- (c) The state is not a class instrument. It can also serve the interests of the working class through welfare measures. A democratic state can represent the whole nation, including the workers. Class struggle is not fundamental. There is no necessity of revolution in a democratic state.
- (d) ‘The more the political organization of modern nations is democratised, the more the needs and opportunities of great political catastrophies are diminished.’ The dictatorship of the proletariat is not necessary.
- (e) Socialism can come through parliamentary methods also. Neither the state can

wither away nor it should wither away because it is an instrument to bring about socialism.

- (f) Evolutionary Socialism puts emphasis on distribution and exchange. Evolutionary socialism supports cooperatives of the producers, consumers and housing cooperatives.

All the important features of evolutionary socialism are accepted by the liberal theory of welfare state and hence evolutionary socialism has been integrated into contemporary liberation or liberal socialism or social liberalism.

9.3.2 Criticism of Evolutionary Socialism

The criticism of evolutionary socialism can be noted in the following-

- (a) Evolutionary socialism is the greatest enemy of the working class as it gives legitimacy to the bourgeois state. Levin declared that evolutionary socialism is revisionist, opportunist and reformist. It gives unlimited powers to the state. It can result in bureaucratization and not socialization.
- (b) The orthodox liberals also criticize evolutionary socialism. According to them it leads to collectivism which is a threat to individual liberties.
- (c) Evolutionary socialism also leads to the centralisation of economic and political power and hence there is no check on political power.

However, in spite of its short comings, evolutionary socialism has proved to be a tonic to the crisis-ridden capitalist economic system. It has improved the condition of the working class and thereby helped the survival of capitalist democracy. It has reduced the revolutionary temper of the working class. It is definitely better than crude capitalism.

9.4 Utopian Socialism

Tom Bottomore has noted that the term 'Utopian Socialism' is generally used to describe the first stage in the history of socialism, the period between the Napoleonic wars and the Revolution of 1848.

The notion of utopia is suggestive of a system in which an ideal perfection could be achieved. The literary meaning of utopia is an imaginary island described by Sir Thomas More in his famous book, 'Utopia' published in 1516. The word Utopianism means a body of ideas founded on ideal social perfectibility.

Utopian socialism is an imaginary brand of socialism. It believes in criticizing the existing institutions and sets forth an ideal social order. Which may not be attainable in reality.

The socialists before Karl Marx are normally called 'Utopian Socialists' and their socialism is called Utopian socialism. They gave only an ideal version of society and

condemned private property they did not say anything about the method through which the change was to be brought about. They relied upon persuasion and example and hoped that intelligent men would accept their ideal easily they confined their philosophy either to the criticism of injustices in society & private property or laying down an ideal, unmindful of its attainability.

It has been said it is difficult to say when the idea of utopian socialism appeared. It may be found in Plato's 'Republic' which is considered as rudimentary socialism.

The early Christians rejected the concept of mine and thine and practiced socialism in their everyday lives.

During the Renaissance and Reformation there was a revival of the protest against inequality based on wealth. All these events show the emergence of Utopian socialism.

However the main advocates of Utopian socialism were Saint Simon (1760-1825), Charles Fourier (1772-1837), Robert Owen (1771-1858) and Proudhon (1809-1865).

Saint Simon in France held that captains of industry should be enlightened to bring new society where planning would promote productivity and eliminate wasteful competition. Ethically he would have the poorer treated as Jesus had treated them.

Fourier on the other hand in France wished to establish small, self-sufficient, non-political communities called phalanxes. They would share in the work of the community in accordance with their interests. The fruits of the labour would be shared in accordance with the work done.

Robert Owen in England believed that the doctrine of laissez faire caused men to act selfishly rather than for the good of a community. He would educate people to the ideas of cooperation and unselfish community action. In this way planned cooperative communities would come into being. Living wages would be paid to workers. Social benefits such as housing, hospitals and educational institutions would be promoted.

First in New Lanark, Scotland, then in the New World at New Harmony, Indiana, Owen attempted to establish cooperative industrial communities, While his experiments failed, his ideas spread as the basis for the cooperative movement.

One key difference between Utopian socialists and other socialists is that utopian socialists generally do not believe any form of class struggle or political revolution is necessary for socialism to emerge.

Utopians believe that people of all classes can voluntarily adopt their plan for society if it is presented convincingly They feel that their form of cooperative socialism can be established among like-minded people within the existing society and that their small communities can demonstrate the feasibility of their plan for society.

It has been said that the thinkers identified as utopian socialist did not use the term

'Utopian' to refer to their ideas. Karl Marx and Friedrich Engels were the first thinkers to refer to them as 'Utopian', referring to all socialist ideas that simply presented a vision and distant goal of an ethically just society as utopian, without going into the inner contradictions of capitalism that was exploitative as well as divisive.

9.4.1 Evaluation

Engels praised Fourier as a brilliant satirist of bourgeois society, Owen as an articulate spokesman for the demands of the working class, and saint Simon as the inspired prophet of a post-Capitalist industrial order.

At the same time, however, Engels criticised the Utopian socialists for ignoring the importance of class conflict and failing to think seriously about the problems of how the ideal society might be brought to being.

What the Utopian socialists had failed to grasp, in Engel's view, was that the development of capitalism and the growth of the factory system were themselves creating the material conditions both of proletarian revolution and humanity's ultimate regeneration.

9.5 Collectivism or State Socialism

Collectivism as a form of socialism arose as a reaction against extreme individualism of the 19th century. It is a term for a trend in social development, a programme of economic reform and a teeny of general welfare. Its principles can be found in the works of Edward Bernstein in Germany, Jean Juares in France, Karl Branting in Sweden and Edward Auseel in Belgium. Collectivism wants to employ the state for the promotion of the common good. It does not want to abolish the state but stands for removing the evils of capitalism, private property and competition. It does not regard the state as an evil but as a positive good which can be employed to serve the collective good.

According to Prof. Ely, a collectivist is a person who looks at society organised in the state for aid in bringing about a more perfect distribution of economic good and an elevation of humanity.

9.6.1 The Favourable factors

Many reasons are given in favour of collectivism or state, socialism. First, they stand for the universal enforcement of the national minimum wages their object is to better the lot of the workers. The workers have to be given equal pay for equal work. The number of working hours are to be reduced. It is the function of the state to prevent unemployment.

Secondly, all the factors of production are to be nationalized and put under democratic control so that the will of the people prevails. The workers are to possess

liberty and equality both in political and economic spheres.

Thirdly, the state socialists or collectivists aim at bringing about a revolution in the national finance. Their object is to lessen the burden of taxation on the poor. They stand for a highly progressive system of income tax.

Under the existing system the unearned income goes into the pockets of private individuals but under state socialism, it will go to the national fund and will be spent in a manner most conducive to the betterment of society.

Fourthly, it is contended that the nationalisation of industries is absolutely necessary to safeguard the interests of the public at large. There will be no wasteful or injurious competition, no monopolies for any selfish worker.

Fifthly, under state socialism, all the free gifts of nature will be conserved for the future happiness of man. Their stock will not be exhausted or destroyed by individuals for private gain.

Sixthly, the state socialists advocate peaceful methods for the realization of their goal. C.E.M. Joad writes, 'It is essential to start with what exists and allow the present to decide the direction as well as the rapidity of the steps which are to be taken into the future.'

The collectivists are against the abolition of the state. The existing state is not to be overthrown. It is to be utilized for making the proposed changes.

Seventhly, the collectivists would like to organise a party of their own which must have a majority in the legislature. They can then form their government and introduce the necessary legislation for making collectivism a reality. The collectivists stand for the ballot and not the bullet.

9.5.2 Criticism of Collectivism or State Socialism

Critics have noted several shortcomings in state socialism as well--

(1) The state ownership management and control of all the factors of production, distribution will result in an authorisation and bureaucratic state. The number of officials and other employees will be very large. There is every likely hood of an increase in corrosion, intrigue, nepotism, red-tapism and favouritism.

(2) Critics maintain that state ownership of all the factors of production is likely to destroy the chief incentive to individual effort and that is not desirable for the progress of society. Bertrand Russell writes, 'Creative impulses in man are to be satisfied and the rendering of public service in any form by one who is fit to perform it according to his ability is in reality the greatest achievement of man.'

(3) The critics argue that socialism may result in uniformity and make society static. Under state socialism, the capitalism will be able to capture the machinery of the state and use the same for their own interests.

(4) As all factors of production and distribution will come under the control of the state, struggle for power will become bitter as the party which captures power will have everything and the party which done will have nothing.

(5) State socialism may result in cast-iron centralisation which may not be desirable for the development of all the personalities of individuals.

Inspite of its shortcomings, however, state socialism has made headway in several countries of the world and collectivist tendencies are seen emerging in different shapes and forms—sometimes in combination with and sometimes in denial of democratic values.

9.6 Guild Socialism

Guild socialism is a political movement advocating workers' control of industry through the medium of trade-related guilds in an implied contractual relationship with the public.

It originated in the United Kingdom and was at its most influential in the first quarter of the 20th century. It was strongly associated with G.D.H. Cole and influenced by the ideas of William Morris.

9.6.1 History and Development

Guild Socialism was partly inspired by the guilds of craftsmen and other skilled workers which had existed in England in the Middle Ages.

In 1906 Arthur Penton published 'Restoration of the guild systems' in which he opposed factory production and advocated a return to an earlier period of artisanal production organised through guilds.

The following year, the journal, 'The New Age', became an advocate of guild socialism, although in the context of modern industry rather than the medieval setting favoured by Penton.

In 1914, S. G. Hobson, a leading contributor to 'The New Age', published 'National guilds'. An Inquiry into the Wage system and the Way Out, in this work, guilds were presented as an alternative to state control of industry or conventional trade union activity.

Guilds, unlike the existing trade unions, would not confine their demands to matters of wages and work conditions but would seek to obtain control of industry for the workers whom they represented.

Ultimately industrial guilds would serve as the organs through which industry would be organised in a future socialist society.

The guild socialists 'stood for state ownership of industry, combined with workers'

control through delegation of authority to national guilds organised internally on democratic lines.

About the state itself they differed, some believing it would remain more or less in its existing form and others that it would be transformed into a federal body representing the workers guilds, consumers organizations, local government bodies, and other social structures. Erurt Wigforss-a leading theorist of the social democratic party of Sweden-was also inspired by and stood ideologically close to the ideas of Fabian society and the guild socialism inspired by people like R.H. Tawney, L. T. Hobhouse, and G.A. Hobson they made contributions in their writings about industrial democracy and workers' self management.

The theory of guild socialism was developed and popularized by G.D.H. Cole who formed the national guilds league in 1915 and published several books on Guild socialism, including self government in industry (1917) and guild socialism Restated (1920).

A National Building Guild was established after world war I but collapsed after funding was withdrawn in 1921.

9.6.2 Favourable factors for the growth of guild socialism :

(a) The works of writers like Thomas Carlyle, William Morris and John Ruskin who criticised the evils of industrial capitalism and praised the advantages of medieval guilds, supported the causes of guild socialism.

They criticised the ugliness and monotony of machine production and looked back to the times when independent guilds men of the Medieval Ages took pride in their creative work and created the great art of which the world could boast of.

(b) The Trench Syndicalism movement and theories of American Industrial political action and their slogan 'All power to the workers or producers' helped the rise of guild socialism.

(c) The writings of G.K. Chesterton and Hilaire Belloc who criticised the policy of the British Government as one leading to the establishment of a servile state also strengthened the cause of guild socialism.

(d) Some guild socialists advocated the organization of guilds on local basis only. However, a majority, of the guild socialists were in favour of the organization of guilds on national basis. Their view was that the guild system could not work properly unless the activities of the various guilds in different parts of the country were coordinated and that was not possible if very guild of a locality was given complete autonomy and had nothing to do with the guilds in other localities.

(e) The guild socialists stood for functional democracy that was meaningless without democracy in the industrial field. Economic power precedes political power. The

guild socialists wanted to put the workers in charge of the whole of the production system. There was no other way to emancipate the workers from the tyranny of the Capitalist.

(f) The guild socialists were not opposed to the institution of the state as such. According to Hobson the state was to continue as the representative of the community as a whole.

But it was to delegate some of its functions and powers to other associations. The state was to own all the plants and tools and was to lease them out to the various guilds. It was to act as a court of final appeal in cases of disputes between the guilds.

(g) The various guilds were to be organised into communes and given separate powers and Functions. They were to control prices and also fix the amount of money to be spent in various industries and services. They were to have the power of revising and ratifying the objects of the various guilds.

(h) The guild Socialists advocated the use of constitutional and peaceful methods for the establishment of a guild society. They were against the violent methods advocated by the Syndicalists. They were prepared to use the machinery of the state for passing legislation which aimed at amelioration of the working classes and elimination of evils in the capitalist society.

9.6.3 Criticism of Guild Socialism

(i) In a foremost objection against guild Socialism, it is contended that it is not possible to place economic and political questions into water tight compartments. It is difficult to see how economic questions can be given completely to guilds and political questions to the state.

(ii) Again Guild socialism stood for two parliaments. The political parliament was to be organised on territorial basis and economic parliament on functional basis. This too would cause a lot of anomalies

However, a joint committee of two parliaments having equal powers may not be helpful in solving the difficulty if there was a conflict between the two parliaments.

(iii) Under guild socialism, each group may not be able to speak with authority on all questions and on all problems. A producer's association may be able to speak with authority on particular issues, but has no moral authority to speak for the whole of the vocational world.

In spite of these criticisms, the merits of guild socialism have been also highlighted. It is said that guild socialism is in line with the modern trend which encourages pluralist thinking among the producers and gives a blow to the absolute sovereignty of the state. Guild socialism preaches the management of industries. This idea of joint management by the employees and the employers appeals to man and has paved the

way for the modern concept of workers participation in management.

9.7 Syndicalism

The term 'syndicalism' has French origins. In French, a 'Syndicat' is a trade which, usually a local union. By extension, the French 'Syndicalism' refers to trade unionism in general. The concept 'syndicalism revolutionnaire' or revolutionary syndicalism emerged in French socialist journals in 1903 and the French general confederation of labor (confederation generale du travail) came to use the term to describe its brand of unionism.

In the words of Sorel, syndicalism is revisionism of the left. It is an attempt to revise Marxism in the light of new experience which was not available to Marx. Syndicalism is the vision of a new stateless and classless society with the trade union as its base.

Ernest Barker has said, 'syndicalism like Marxism, is a doctrine inimical to the bourgeois or capitalistic state, but while Marxism erects a whole class, called the proletariat, as the enemy of the bourgeois state and proposes to build on that class, a new state representing the dictatorship of the proletariat.'

Syndicalism has evolved a different system of tactics. It erects as the enemy of the bourgeois state the various and separate syndicates or unions of the workers, each acting on the basis of its own industry or occupations each proceeding by its own method of the industrial or occupational strike.

According to F.W. Coker, "syndicalism loosely defined, holds that the workers alone must control the conditions under which they work and live, the social changes they need can be achieved only by their own efforts by direct action in their own association and through means suited to their needs peculiar."

9.7.1 Origin and Growth of Syndicalism

Syndicalism originated in France in the second half of the 19th century when the French government removed the hurdles in the way of workers by legislation.

Originally, the workers in France were prohibited from forming trade unions or associations but the laws of 1864, 1868 and 1884 conceded to the workers the right of forming associations. The attitude of Waldeck Rousseau, the Minister of the Interior in the cabinet of Gules Ferry, was favourable to the formation of trade unions.

In 1887 an organization was set up and others were founded in the provincial towns.

Six years later, a national federation of the Bourses known as 'Federation de Bourses du Travail de France' was formed. Very soon it became the centre of the labour movement in France.

Two years after, a new organization known as 'confederation general du travail' or C G T (Central Federation of Labour) was created. It became the Chief national organization in France.

When the world war I broke out, the majority of the syndicalists belonging to the general confederation of labour gave up their anti-war and anti-government policy and made a compromise with the government and socialists in order to promote war efforts.

The majority of the syndicalists who were moderates, gave up violence altogether. However, there were a few syndicalists who were not prepared to give up their old methods.

After the war, the moderate syndicalists separated themselves from the militants in 1922, The militants formed the general confederation of united labour and followed the principles and aims of the Communist International.

New Syndicalism did not stand for class war and violence Emphasis was put on collaboration and coordination among the various kinds of manual workers.

After the emergence of syndicalism in France, it went beyond the frontiers of France and spread to England, Spain, the U.S., Italy.

9.7.2 Exponents of Syndicalism

Fern and Pelloutier (1867-1901) called upon the workers to remain aloof from politics and exert themselves through labour exchanges and better their own conditions through cooperation.

George Sorel (1847-1922) was the philosopher-saint of syndicalism, He, having started out with Marx, ends up with Bergson. From Marx he took the idea of class struggle as the key to social change. At the same time his desire was to purge Marxism of its non-essential features. His view was that new society would come not as a result of technological and social changes as advocated by Marx, but as a result of a general strike.

Bergson provided Sorel his theory of intuition according to which the aims of man's actions are governed not by intelligent evaluation or reason but by intuition.

Syndicalism, it is said, also draws its inspiration from words of Proudhon. On account of its close association with anarchism, syndicalism is also called 'Anarcho-syndicalism'.

9.7.3 Main features of Syndicalism

(i) The syndicalists are opposed to the state which they call a bourgeois and middle class institution. The state has been designed to suit the convenience of the Capitalist.

(ii) The syndicalists have no faith in the institution of political parties or the party system on which modern democracy rests.

(iii) The syndicalists are anti-militants. Their contention is that the workers have absolutely no interest in wars which are the outcome of the conflicting interests of the capitalists and hence the workers should keep along.

(iv) The syndicalists distrust middle class socialism. According to them, syndicalism is the only socialist doctrine which is the product of the workers themselves. The syndicalists insist on the control of the workers on society. Their view is that the workers create all values and hence they should be the controllers of society.

(v) The syndicalists have no faith in parliamentary methods & they would like to boycott all parliamentary institution because they are the product of the bourgeoisie and as such cannot be helpful to the workers.

(vi) The syndicalists do not believe in constitutional and peaceful methods they stand for violent and revolutionary methods of direct action. The methods advocated by them are strikes, sabotage and boycott.

(vii) Like the Marxists, the syndicalists find the state to be arbitrary and oppressive in its very nature. The state is the instrument will be occupied by the local and national organization in the new society.

9.7.4 Criticisms of Syndicalism

Syndicalism has been also criticized on several grounds, such as-

(a) It is said, it cares only for the interests of the producers and ignores the interests of the consumers properly and there can be no peace for all in the society.

(b) There is no guarantee that the general strike will certainly succeed. The workers may not be able to carry their point on account of their weak position. Sabotage is also destructive and harmful to society. If there is unnecessary waste, society as a whole suffers. Sabotage in production is bound to affect adversely the interests of the workers.

In spite of these criticisms, it has been said that the syndicalist movement in France profoundly influenced socialist thinking in other parts of the world. It exposed the inadequacies of parliamentary democracy and emphasized the danger of bureaucratic distortion of socialism in state-socialists society.

According to Bertrand Russell 'Whatever may be thought of the practicability of syndicalism there is no doubt that ideas which it has put into the world have done a great deal to revive the labour movement and to recall it to certain things of fundamental importance which it had been in danger of forgetting.

9.8 Fabian Socialism

Fabian Socialism is a type of socialism founded in 1884 in London. It sought some use of the democratic framework to achieve conversion to socialism.

The Concept of Fabian Socialism emerged out of the deliberations of the Fabian society which was formed in 1884 and among its founders were luminaries like govt. should Graham Walls, Hubert Bland, Edward R. Pease, H.W. Massingham, Annie Besant, Sidney Webb and Sidney Oliver. Ramsay Macdonald was also a Fabian. H.G. Wells was also a member of the Fabian society for some time. Beatrice Webb, Keir Hardil, G.D.H. Cole, Pethic Lawrence, Emil Davis, Harold Laski, R.H. Tawney Leonard Wolfe and Herman Finer also became Fabians.

The Fabian Society was named after Fabius cunctator, the dictator in ancient Rome, who followed the tactics of studied slowness against Hannibal of Carthage.

When Hannibal invaded Italy, Fabius Cunctator, the dictator in ancient Rome, went on following delayed tactics in order to strike against Hannibal at the right time.

The motto of the Fabian society was 'For the right moment you must wait as Fabius did, most patiently when warring against Hannibal though many censured his delay; but when time comes you must strike hard, as Fabius did or your waiting will be in vain and fruitless.'

The Fabians were primarily influenced by three philosophers viz. John Stuart Mill, Henry George and Karl Marx.

The influence of Marx is understandable as his philosophy was influencing the people of his time.

Although J.S. Mill was an individualist he developed a positive outlook for collection good and social awareness in the later part of his life. He had written in his 'Autobiography' 'The social problem of the future, we consider to be how to unite the greatest individual liberty of action with a common ownership in the raw material of the globe and an equal participation of all in the benefits of combined labour.'

Henry George, the American Philosopher, who was the author of 'Progress and Poverty' lectured in England in 1881 and greatly influenced the English socialist thinkers. The main point made by him was that poverty increased with progress as land, the basic natural resource, belonged to the few. The landlord had no right to profit from greater value of a piece of land over another which was attributable to its greater facility or better location His proposal was that society should confiscate that differential by a tax amounting to its entire value.

9.8.1 Essentials of Fabian Socialism

(i) Fabianism is one of the form of socialism aiming at the promotion of the welfare of society through slow, evolutionary and democratic process.

(ii) The Fabian socialists sought to modify Marxian concepts in several ways.

They based their economics on the Ricardian law of rent rather than on the labour theory of value. They did not rely exclusively on the working class for bringing about social change and set before themselves the task of permeating the middle class with the socialist message. They sought to introduce socialism, not in a single stroke but by decrees, through state and cooperative ownership of industry, increasing power of labour in legislative and executive offices, growth of trade unions and educational movements and development of social consciousness through gradual democratisation of society in the political, economic and intellectual fields.

(iii) The Fabians aimed at emancipating land and industrial capital from individual and class ownership and its vesting in the community as a whole.

(iv) The Fabian society desired to conduct on a large scale the spread of socialist views with a view to bringing about great social and economic changes and provide equality of opportunity to all.

(v) The Fabian Socialists rejected the materialist conception of history and the doctrine of economic determinism. They did not believe in the inevitable, automatic and scientific process by which a social revolution would come of its own accord. They did not believe in class war and forcible revolution.

(vi) The Fabians believed in evolution and not revolution, in constitutional and not violent methods. They advocated reforms as opposed to destruction. Moderation was the keynote of their technique.

9.8.2 Assessment of Fabianism

By their sober and dignified methods the Fabians were able to push forward socialist ideas and that was done without bitterness and fanaticism.

It is said that unlike Marxism which advocated violence, fanaticism and hatred, the Fabians possessed reasonableness dignity and sobriety. Their approach was non-partisan. The labour movement in Britain owed a lot to the help given by the Fabians.

However, the Fabians were also criticized on several grounds.

(a) It was contended that the Fabians overlooked the fact that machinery of the state represented by its army of civil servants might be as great an exploiter as private businessmen. There was no guarantee that the civil servants who were entrusted with the task of managing socialism would remain unassuming and would not constitute a superior ruling elite apart from the ruled masses.

(b) The Fabian view appeared to be consistent with the requirements of political democracy. According to Lancaster, 'Surely there is something incompatible with democracy in a plan under which men are enrolled in the service of the community under strict subordination and paid by bureaucratically determined allowances.'

(c) According to Mallock, the Fabian writers have been playing fast and loose with their language and their thought. They stand for the elimination of capitalism, exploitation of the landlord, the extinction of private enterprise and eradication of competition but actually they bring in more of state and municipal enterprise, the setting up of gas works, water works, baths, laundries etc.

(d) Ernest Barker writes, 'The Fabian Society is the least open and least straight forward socialist organisation It habitually and on principle sails under a false flag, wishing not to arouse suspicion as to its objects. Fabians rely for their success chiefly on their artfulness.'

9.9 Scientific Socialism

Scientific Socialism refers to a method for understanding and predicting social, economic and material phenomena by examining their historical trends through the use of the scientific method in order to derive probable outcomes and probable future developments.

Again, the term scientific socialism is said to be coined in 1840 by Pierre-goseph Proudhon in his what is property? To mean a society ruled by a scientific government i.e. one whose sovereignty rests upon reason, rather than sheer will.

It was Marx and Engels who made a searching study of history, Political economy and existing socialist doctrines and made socialism a science.

9.9.1 Socialism and science

By calling their socialism scientific Marx and Engels meant, in the first place that their vision is not utopian, not more wishful thinking. It is, rather, a coherent programme, as described in the Communist Manifesto, for a future society and a realistic aim for us now.

Secondly, Marx claimed to have discovered the laws of social change to have formulated a theory – historical materialism – which reveals when change is possible (and indeed necessary), how that change can be brought about, what the outcome of that change will be.

Thirdly, Marx believed that this theory allowed socialists to be scientific in another way his theory demonstrates that the working class is the engine of social change and this class has an immediate interest in bringing about that change.

Hence, the primary task of the socialist is to reveal the 'facts' to this class and the revolution will proceed.

Fourthly, the science of socialism rests on the basic idea that man's consciousness (his ideas on morals, politics, law and art) is a product of, the ultimate social reality, that is, economic (Productive) activity According to Marx, 'history is fundamentally, the growth of human productive power, and forms of society rise and fall accordingly

as they enable and promote or prevent or discourage, that growth.

Indeed, the existing production relations become a 'fetter' on the further development of the productive forces. At this stage the necessity of continued development forces a change in the relations of production, and the old society is replaced by a new, this is in Marxian analysis dialectical materialism which postulates the concepts 'alienation', negation of negation, thesis, antithesis and synthesis.

Fifthly, the mechanism that effects this change is the class struggle classes emerge in society as a result of the ownership of the means of production the class which owns the means of production is the ruling class who is enabled to exploit and dominate the subordinate classes by virtue of its ownership.

The dialectic of the forces and relations of production leads to a revolutionary transformation of society from lower to higher the history of mankind, Marx shuns, follow the cycle of revolutions, progressive evolution of society from lower to higher forms-from ancient society (after the breakdown of the primitive communal society) to feudalism and then to capitalism.

The transition from capitalism to communism is also inevitable. It will take place as the capitalist economy is developed to the stage when the bourgeois production relations are a fetter on further development of the productive forces, when the contending classes (the bourgeois and the proletariat) can no longer accomodate one another and internal contradictions of capitalism reveal themselves in a terminal crises.

The fundamental contradiction, according to Marx, is the contradiction between the social character of production and the private capitalist form of appropriation of surplus value produced by the workers.

This contradiction is manifested economically in declining profit rates and rising rates of unemployment. It is manifested socially in the polarisation of classes, the formation of solidaristic social relations within the proletariat and the increasing conflict between the proletariat and the bourgeoisie,

The increasing misery and deprivations forced upon the working class by virtue of its position within capitiation, coupled with its struggle against the bourgeoisie makes the members of this class to recognize that their interst, i.e. freedom from wage slavery and deprivations can be realized only through the revolutionary overthrow of the capitalist mode of production and the bourgeoisie from power.

The workers organised as a class would dislodge the bourgeoisie from power and establish its own rule the dictatorship of the proletariat. This proletarian state, through socialization of capital and other means of production, will free the production forces from the prison-house of bourgeois property relations and put an end to the system of exploitation of man by man.

Sixthly, as soon as the gross inequalities and all forms of class distinctions will

completely disappear from society and the people will be accustomed to observe the elementary rules of social conduct as soon as a 'society of cooperative producers' (a classless communist society) will emerge, the proletarian state will wither away.

The state, in Marxian analysis is an organ of class rule. Hence with the abolition of classes the state ceases to exist. In the words of Engels, 'government of persons is replaced by the administration of things and direction of the process of production.

In Marxian socialism, there will be no exploitation of man by man and the able-bodied citizens must work and would get wages and allowances according to the quantity of work and service. However, those who are physically and mentally disabled, will get protection and assistance from the socialist government.

The higher phase of Marxian socialism is communism. In the modern communist society, every able-bodied persons would work and get the amount according to the requirements and needs.

Marxian socialism is scientific because it predicts when socialism is possible and it emphasises the only possible means to its realisation – the intensification of class struggle.

Incidentally it can be noted that in communism the state as an instrument of coercion will wither away, but the state as a geographical severing entity will remain and I will implement the principles of socialism and communism and this will be an exploitation-free welfare society.

9.10 Democratic Socialism

Democratic socialism is a variant of socialist doctrine which is evolutionary as opposed to Marxian socialism or communism which is revolutionary. It aims at securing by the action of the central democratic authority a better production and distribution of wealth and gradual transition to a socialist society.

According to the American Political Dictionary, democratic socialism is an economic system established by a democratic nation in which the people through their government take over ownership and direction of basic industries, banking, communication, transportation and other segments of the economy.

The extent of government's role in the economy is determined by free elections rather than by ideological dogma. Although a private sector of the economy may continue to exist, much effort is expended by government in planning, directing and regulating and in providing welfare schemes for the needy.

According to the Oxford Junior Encyclopedia democratic socialism implies a peaceful transformation of the economic order from individualism to socialism by the methods of representative democracy achieved by common consent.

The view of Coker is that democratic socialism 'stands for an excessive control over the basic means of wealth and culture- a control to be exercised not by some class within the community but by the community itself and to be built up gradually and in orderly forms.

9.10.1 Origin

Democratic socialism has grown up in those countries where the democratic tradition has been strong. Ebenstein writes Looking at the history of socialism, it can be quickly seen that successful socialist movements have grown up in nations with strong democratic traditions, such as Great Britain, the Scandinavian countries, Belgium, the Netherlands, Switzerland, Australia, New Zealand & More recently Israel.

The reason for this parallelism is simple where democratic constitutional government is generally accepted, socialists can concentrate on their extensive economic and social reforms, to create more opportunity for the underprivileged class, to end inequality based on birth rather than service, to open horizons of education to all the people, to eliminate practices based on sex, religion, race or social class, to regulate and recognize the benefits of the whole community, to maintain full employment, to provide adequate social security for the social, unemployed and aged, to replay the layout of towns and cities, to tear down the slums and build new houses to provide medical facilities for everybody regardless of the size of his purse and finally, to rebuild society on the foundation of cooperation instead of competition, incentive and profit.

All these goals of democratic socialism have one thing in common to make democracy more real by broadening the application of democratic principles from the political to the non-political areas of society.

The influence of R.H. Tawney, the British democratic socialist in the first half of the 20th century, has been great indeed. According to Ebenstein, many consider R.H. Tawney's *The Acquisitive Society* (1921) one of the great classics of English literature as well as socialist thought.

Prof. Harold Laski was also a democratic socialist. He openly condemned the violent path to socialism. He asked the socialists to continue to operate by legal and constitutional means till their opponents adopted violent methods against them.

However Laski's commitment to democratic socialism did not deter him from conceding its limitations. In his 'trade Unions in the New society' Laski wrote democratic socialist government is always walking upon a razor's edge. Formally, the coercive power of the state is in its hovels; actually, it knows perfectly well that it must not use it in such a way as to outrage the vested interests.

Regarding the success of the democratic socialist regimes Laski conceded in the

Dilemma of our Times that such regimes have hardly touched more than the outworks of the capitalist fortress. The reforms introduced were always within the compass of a bourgeois democracy based upon universal suffrage.

It has been noted that the greatest because of democratic socialism is that its firebrand adherents want to establish both socialism and democracy within capitalism. Ebenstein says, 'socialism is not an outside invasion of the citadel of capitalism but a product of capitalism itself.

Intervention of parliament, periodic elections, uninterrupted propaganda, reforms and many other democratic procedures are supposed to rectify the evils of capitalism and in due course these will lay the foundation of socialism. Hence for democratic socialism it is unnecessary to liquidate capitalism.

But this oversimplified method or the naïve underestimation of capitalist force has proved the falsity of the wishes of the supporters. In so called democratic socialist countries, it has been alleged by critics, there is neither democracy nor socialism. Miliband says that the economic freedom and political liberty are both inadequate and hence there is less democratic socialism in advanced capitalist countries.

The simplest meaning of democratic socialism is that people will have at their disposal the values and principles of both socialism and democracy. For this purpose it is indispensable that people's control over economy shall be ensured.

The socialist model of state politics and economics is gounded in societies which are underdeveloped. The developed and industrialised societies have vehemently opposed the introduction of socialism, because they always give utmost importance to political and economic freedom.

It has been noticed that socialism generally comes out of revolution and revolution means the destruction or disruption of normal democratic procedures and values and incapacitation of democratic institutions.

However, it has been said that there can be meaningful compromise between democracy and socialism. It is true that political freedom, the vital aspect of democracy, cannot be fruitful without emancipation from economic bondage and to day many liberals and advocates of democracy admit that emancipation can be achieved only through socialisation process.

At the some time socialization process again cannot be allowed to eradicate the democratic values and to cripple democratic institutions Hence lofty ideal of democracy can be fruitful as a companion of socialism. Hence, there is no need to presuppose conflict or animosity between the two and democracy and socialism are the two sides of the same coin.

9.11 Essentials of Socialism

In view of the definition and various types of socialism, we can briefly note the essentials of socialism in the following propositions : (i) Socialism puts more emphasis on society than on individuals. It subordinates the individual interests to the higher interests of the society as a whole. According to Purcell, "Socialism is a state of society in which the administration of industry will be regarded solely from the point of view of common good.

(ii) Socialism aims at the elimination of capitalism; the capitalists and the entrepreneurs are considered to be the natural enemies of the working class. Under the capitalist system of production, there is competition for the sake of profits alone. A lot of money is spent on the advertisement of goods.

Under socialism, this type of wastage resulting from the unhealthy capitalist competition would be ended.

(iii) Socialism stands for equality. The socialists condemn the existing inequality as aggravated by the present capitalist system. According to G.D.H. Cole, equality means that society ought to afford to all its members, irrespective of their virtues or vices, their strength or weakness, a tolerable basic standard of living, high enough to keep them in health and reasonable comfort.

(iv) Socialism stands for the elimination of private property, especially in land. Robert Blatchford writes, no man has the right to call anything his own but that which he himself has made.

A softer view is that landlords should be given compensation, Ramsay MacDonald writes, 'Socialism cannot come by confiscation'. He does not approve the idea of loot.

(v) Burns writes, 'Socialism means abolition of private enterprise and the substitution of collective ownership and control for the benefit of the whole society, at least the principal instruments of production, distribution and exchange.

(vi) The socialists consider the state as an instrument of exploitation and compulsion and hence they want to do away with the state. They believe that the state will wither away.

9.11.1 Criticism of Socialism

Socialism has been criticised from different grounds as well-

(i) It is said that while none will deny the importance of the economic factor few

will concede that economic motive is the only motive force behind all human activity.

To the same category belongs the socialist contention that value is due to labour only, hence capitalists who deprive them are the enemies of labour. Historically therefore; the rich and the poor have irreconcilable interests and they must be in opposite camps etc.

(ii) The socialist description of human nature is not all correct. The socialists stand for the elimination of private enterprise and private property, but the acquisitive instinct of man cannot be entirely wished away.

Likewise, competition is in the blood of every individual. The demand for equality may be a good ideal but it is difficult to say how it can be realised and how far it is desirable.

(iii) In a socialist regime there is no incentive to work and produce, when the people cannot compete with another and keep the private property created by their efforts to themselves and as a result they will lose all incentive to work.

(iv) The socialists fail to offer an equitable plan for the distribution of national wealth among the workers. Some stand for the equality of payment but that would be unfair because the sluggard and the active cannot be paid the same wages.

There is one suggestion in socialism in its higher phase that 'Form each according to his ability, to each according to his needs'. The critics say that the difficulty with the view is that it may not be possible to assess the working capacity of every worker. Even if that is found out, he may refuse to put in that much of work.

Moreover, the system of giving everybody according to his needs will encourage idleness. Instead, if it is suggested that the worker should be paid according to his merit.

(v) The critics argue that the socialist attitude is not conducive to the growth of trade and commerce. The socialists decry competition for new markets, expenditure on advertisement, window dressing commercial travelling etc.

(vi) The critics argue that socialists condemn religion on the ground that it is an ally of the capitalists and the reactionary forces. Religion sanctifies the institution of private property. With the abolition of private property, religion also must go. Hence orthodox people dislike socialism as a godless doctrine.

(vii) It is said that socialist propaganda is the enemy of industrial peace and property the leaching of class war, sabotage, strike and revolution against the prevailing social system is bound to dislocate the economic system.

(vii) The socialists overslimates the capacity and efficiency of the state. Under a socialist regime, the functions of the state will multiply and it is too much to expect that all of them will be done in an efficient manner.

Production in the country will not be regulated by the law of demand and supply but by the whims of those in power. Again red tapism in government offices may destroy initiated.

9.11.1 Merits of Socialism

Inspite of the criticisms against socialism, the merits of socialism for outweigh its weaknesses.

(a) Laveleye writes, 'Socialism has rendered a real service by calling attention to the evils and inequities of the existing social order and by awakening in the hands of all good men the desire to apply a remedy.

(b) Socialism has emphasized the importance of social environment in determining the character and destiny of individuals and nations, they hold the existing circumstances in society responsible for much of the evils of society.

(c) The philosophy of socialism has given an impetus to the spirit of reform. Exposure of the evils of the capitalist system has created in the hearts of the reformers the desire to work for the eradication of those evils from the body politic.

(d) In socialism, the old idea of the state as the rival of the individual has given place to that of the state as the great benefactor of mankind.

(e) In uniting working men for the purpose of class war, socialism has achieved something of prominent spiritual value. The present position of the working man, as a man and not a mere machine or commodity, is largely due to socialism, which thus appears as the greatest movement of human emancipation since the French Revolution.

(f) Socialism promotes social welfare of all and not a few. It provides equal opportunity to all. The sufferings of the people are removed and they live in happiness and prosperity.

(g) Socialism achieves rapid progress in the economic field, The evils of free market economy like unemployment, over production wastage, slums and monopoly are not seen in socialism. Planning is part of socialism as it avoids wastage and extravagance which are the result of unplanned use of resources.

(h) In a capitalist society the distribution of the ownership of the means of production is grossly unequal as distribution of income and wealth is also greatly unequal.

On the other hand, unlike a capitalist society and economy, there is no profit motive in a socialist economy. The resources are directed into those channels only which are socially useful.

(i) Periodical economic crises invariably characterise capitalism with the result that social poise and stability are frequently disturbed.

On the other hand, comprehensive and integrated planning in a socialist society is designed to discipline and stabilize the operation of the blind forces of the economy. The result is that socialist society is comparatively stable.

(j) The democratic spirit of give and take does not grow in a capitalist society on account of gross social injustice and inequality. A country rent by sharp class divisions cannot develop a democratic mind.

Socialism with its egalitarian ethos will help in creating a proper democratic milieu.

(k) The non-profit incentives to work under socialism is acknowledged by the common people as a panacea for all their ills. It will stimulate better and more productive work.

Erich Fromer writes, 'The aim of socialism is man's emancipation, his restoration to the unalienated, uncrippled individuals who enters into a new rich, spontaneous relationship with his fellowmen and with nature.'

9.12 Conclusion

In summing up the discussion of socialism it can be rightly said that socialism is humanism, secularism and an indispensable aspect of civilized society. Socialism abolishes exploitation of human beings. It gives humane protection to the backward, the marginalized and the physically and mentally disabled. At the same time it provides security for all giving employment so that civic minimum is achieved that is, food, clothes, shelter, education, health and security are secured to all. At the same time, all able-bodied citizens must work according to their capabilities.

9.13 Summary

In socialism first stage, it is said that all able-bodied would work and get according to their work. But in the higher phase of socialism, when production is abundant i.e. in communism all would work and get according to their needs.

Socialism is not utopian. There are clear and established instances of socialism in

different parts of the World. It is true that in the last decades of the 20th century and in the present times, globalization has intruded in to the social system and foreign direct investment, growing role of the MNSO have made more privatization.

But accepting this change, it can be however, observed that the disintegration of the USSR in 1991 was not the fault of socialism, it is the of discredited party bureaucracy, rise of disguised inequality discredit and rivalries between or among the union republics of the federal USSR.

In we look to People's Republic of China we find she adopted in her constitution, socialist system giving some allowance to limited private property or ownership under the socialist state control regarding purchase or sale of private individual property. Moreover, the principle of democratic centralism has been adopted as one of the general principles under the overall control of socialism and communist party.

Socialism gives due recognition and credit to the individual genius for the welfare of society. In that sense individualism and socialism are both integral part of civilized society having healthy cooperation and collaboration between citizens and the state so that an exploitation free, civilized society is achieved.

9.14 Questions

1. Define socialism and trace its evolution.
2. Discuss the features of utopian socialism.
3. Write a note on state socialism.
4. Why is Guild Socialism so called? Enumerate its features.
5. Write a note on Syndicalism, with special reference
-its origin and growth.
6. Discuss the nature of Fabian Socialism and its essential features.

9.15 Reference

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UNIT–10 : Peasant and the Land Revenue System in India.

Structure of the Unit :

- 10.0 Learning Objectives
- 10.1 Introduction
- 10.2 Main Features of the Land Revenue System
- 10.3 Land Revenue System in Zamindari Tenure
 - 10.3.1 Impact of Zamindari Tenure
- 10.4 Land Revenue System in Raiyatwari Tenure
 - 10.4.1 Impact of Raiyatwari Tenure
- 10.5 Land Revenue System in Mahalwari Tenure
- 10.6 Conclusion
- 10.7 Summary
- 10.8 Questions
- 10.9 Reference
- 10.10 Suggested Readings

10.0 Learning Objectives

In this unit we will discuss about the different types of land revenue systems during British rule in India. We will also understand the non-linear relationship between the peasants and their land on the context of various land revenue systems. After reading this essay you will learn about:

- Main Features of the Land Revenue System
- Peasants and Land Revenue System in Zamindari Tenure
- Peasants and Land Revenue System in Raiyatwari Tenure
- Peasants and Land Revenue System in Mahalwari Tenure
- Consequences of the Land Revenue System.

10.1 Introduction

"Economic production is the basic activity of a human aggregate" (Desai 2006). That means, in order to survive human beings must produce goods and services. Since

the rural society in India is based predominantly on agriculture, land plays the central role in the system of production in rural India. It is one of the basic means of production in the countryside. From land, the rural people produce, by their labour power, a variety of products as food, cotton, jute, tea, coffee, tobacco and others. The relationship between land and its actual tillers is not so simple in any given society. It is true for India also. The British rules in India had channelized this relationship into a new direction. Its main purposes were to suit the economic and political requirements of the British economy. They had reorganized India's agrarian structure into three main types of land system, viz. the Zamindari, the Raiyatwari and the Mahalwari.

Do you know?

'Means of production' are those inputs which are essential for carrying out any production related work. These are land, money, resources and technology.

Without any of these no production can be done. Means of production is a part of 'Mode of Production' according to Marxists theory.

"After gaining full control over Bengal in 1765 (year of 'Diwani' rights acquisition), Company followed traditional land assessment system at the start but gradually modified the existing land settlement from time to time to collect maximum possible land revenue which was a need of colonial administration. They initiated auction based farming system as the first experiment in 1772, where land revenue collection rights had been allotted on contract basis. This farming system slowly developed into three major land settlements, viz., Zamindari in Bengal, Raiyatwari in Madras and Bombay, and Mahalwari in North Western Provinces which exposed the colonial character of British rule and became the basis of primary accumulation of capital" (Husain and Sarwar 2012). Therefore, peasants were the main sources from whom revenue or taxes were being collected in colonial India.

Do you know?

Diwani Rights Acquisition 1765 is the power to collect revenue and administer civil cases in Bengal. It was granted to the East India Company in 1765 by Shah Alam II, the Mughal emperor of Delhi, in return for the districts of Kora and Allahabad. It was the time when East India Company involved for the first time in the direct administration of a province in India.

10.2 Main Features of the Land Revenue System

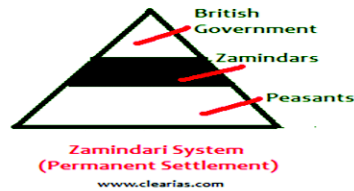
In the early history of all countries, land was either the only or the main source

of revenue. In modern times, although many other sources of income have been developed, yet land continues to be taxed in one or the other form. This is true for India as well but with the difference that till recently, the states in India derived a much larger percentage of its income from land than from any other sources. Under the ancient Hindu kings, the share which the state could take from the landowner was limited to 1/6 of the produce paid usually in kind but, in some cases, in cash. The early Muslim rulers made no changes in the system so that the old village communities continued to function through the ages right up to the advent of the British rule. To Sher Shah, however, belongs the credit of introducing the system of measurement as the basis of assessment. He had classified the lands, standard yields assessed, and revenue fixed at 1/3 of the average on all classes of land. Sher Shah's reforms became the basis of Akbar's policy with the difference that he proceeded to convert the grain rates into cash rates based on the average prices of nineteen years prevailing before the settlement. With the decline of the Moghul power, there came into existence different rulers in different parts of India with more or less exorbitant claims. In the general confusion, which prevailed in the eighteenth century, no ruler was safe in his position, and everyone was in need of resources to fight his wars. Understandably, there were frequent cases of excessive demands. Instead of trying to remove this injustice and oppression, the British found it convenient to claim the same unjust rights on the ground of precedent. Thus were introduced in different provinces of India different systems of land revenue—all so designed as to collect the largest amount of money in the quickest possible time.

10.3 Land Revenue System in Zamindari Tenure

The Zamindari system existed from the Mughal period up to British period in India. It had taken a definite shape during the British rule. The first settlement made by the British was in Bengal. After a fruitless attempt at farming the revenues, Lord Cornwallis introduced in 1793 the Permanent Settlement system under which the state's demand was fixed at 90% of the rental. According to this system, the cultivated land belonged to the Government and who were making use of it were expected to pay tax to the Government. Let's see the following diagram. This was the stratification system in Zamindari Tenure and peasant belongs to the lower strata of this system while the British ruler belonged to the upper strata. The Zamindars functioned as middleman who collected tax from the peasant and used to send it to the Ruler.

Since the Government felt that collecting tax from the land users was a hazardous task, it entrusted the responsibility of collecting the land tax from peasants of a fixed region to a few known individuals. These individuals came to be known as



the "Zamindars" or Inamdars or Jaigirdars who actually acted as the land tax collectors for the British Government. Zamindar means a non-cultivating land lord. In this system, ownership of the land was separated from the managerial and labour function. Under the "settlement" system the land lords or Zamindars were declared as full proprietors of large areas of land. In due time the revenue collectors were raised to the status of landowners. Earlier they only collected land revenue for which they received a commission. The Bengal Permanent Settlement (1793) made them owners of the land. Therefore, the Zamindars became the primary agents of British Government for collecting land revenue from the actual tillers or the peasants. This new Zamindari system consisted of two types, namely (a) Permanent Settlement, and (b) Temporary Settlement.

10.3.1 Impact of Zamindari Tenure

The Zamindari System, however, placed the peasants completely at the mercy of the 'gentlemen farmer' who did not hesitate to extort the last ounce of blood. With declining cottage industries and the growing pressure of population on land, the cultivators' demand for land became more and more severe, and this opened out to the Zamindars and other landlords' new opportunities of exploitation. A bad season enriched the landlord because his revenue was remitted but it ruined the tenant because he lost the crop and was still obliged to pay both the rent and the tax. According to an estimate of Mukerjee, the landlords appropriated during the last century not less than Rs.1800 crores. The declining cottage industries compelled the teeming unemployed to seek subsistence in the only available but crowded occupation, namely, agriculture to which they now flocked by outbidding others at the time of fresh lease. Rents, therefore, were sharply raised. To these high rents "must be added the universal practice of extorting peasants upon every occasion—every feast, festival and others by the Zamindar this made the pretext for robbery". The landlord was not the only one to exploit the peasants and tenants; every one of his sub-ordinates from the Naik or accountant who helped to falsify the books, down to the collecting peons— used to extract their own shares. Thus the beggarly race of peasants who, though nominally free-born British subjects, were more degraded and less cared for than the slaves of Cuba or the serfs of Russia. The system failed to define and

protect the rights and privileges of the tenants. The tenant was left to the tender mercies of a heartless landlord who, ignoring the customary rights, evicted him at the slightest provocation or temptation. And yet no steps to protect him were taken till 1859.

The Zamindari System had another noteworthy effect in the subdivision of rights in land. The Zamindars leased out their interests and the middlemen leased out in turn, thus creating a long chain of intermediaries—the Talukdar, the Patindar, the Parpatindar between the State and the actual tiller of the soil. The Simon Commission found as many as 50 intermediaries between the State and the actual cultivator, each one a mere parasite that fattened himself on the product of the cultivator. According to S.M. Hussain, a member of the Flood Commission, the net income of the Zamindars increased from Rs. 20 lakhs in 1793 to 832 lakhs in 1940. During the same period, the income of the government remained fixed at Rs. 3,000,000. This naturally made the income of certain provincial governments inelastic and rendered it difficult for them to meet the increasing demands for expenditure. In fact, the Zamindari System was inherently incapable of producing food and raw materials for a developing economy. It kept the peasants at or below the subsistence level which not only restricted the internal market, but also dried the very fountain which could have been a source of producing economic surplus for investment and development. Whatever economic surplus agriculture yielded was eaten up and appropriated by the unproductive classes. This could have only led to an 'arrested and thwarted' economy of India. Prof. Bhatia rightly holds the system responsible for the series of famines that occurred after its introduction. In the sphere of production, the system led to the separation of agricultural capital from labour engaged in the cultivation of land.

The actual tiller lacked the resources to invest while the Zamindars, who had the resources, were just not interested in the improvement of land. In the sphere of distribution, the high rates charged by the moneylenders and high rents collected by the Zamindars diverted a major portion of agricultural income from the cultivator to the landlord and the money-lender. This left no chance for the agricultural labourer to enjoy the fruits of his own efforts, destroying all incentive to agricultural improvement. Agriculture naturally declined causing a series of famines in the country. Equally important was the social change brought by the system. Ever-mounting debts and frequent evictions could not have established harmonious relations in the village community. The system led to the emergence of the all-powerful landlord at one end and a mass of poor, dispossessed peasantry at the other end of the rural society, destroying, in the process, the traditional good relations in the village community. The peasants could have nothing but a feeling of hatred and revenge against the one who

had dispossessed him of his land while the landlord was always fearful of those whose property had been bestowed upon him, both living a life of mutual distrust and tension. Such a set-up could have hardly promoted peace and stability in the country but always carried the potentialities of violence, individual or collective. S. Gopal observes, "By vesting the Zamindars with all residuary rights of property, the government exalted their status and ensured a continuous improvement in their position. On the other hand, the rights of the peasants were exposed to damage. The practical security given by custom was shattered. In its place, were substituted the shadowy protection of the courts and vague promise of relief in the future. By thus undermining the protection of the peasants and giving a new bias to the interests of the Zamindars, the permanent settlement altered the balance of rural society in Bengal."

10.4 Land Revenue System in Raiyatwari Tenure

The Raiyatwari settlement was first introduced in 1792 by Sir Thomas Munro. It was initially introduced in Tamilnad and was later extended to Maharashtra, Andhra Pradesh, Mysore, Kerala, Gujarat, Punjab, and Himachal Pradesh and gradually extended to other parts of India. In this system, the responsibility of paying land revenue to the Government was of cultivator or of peasant himself and there was no intermediary between the peasants and the State. Hence, the cultivator had the liberty to sub-let his property or to transfer it by gift, sale or mortgage. These rights were not available in the previous system. In the words of John Tucker, the object of this settlement was "to obtain for the state the utmost that the land could yield in the shape of rent." The first assessments were, therefore, heavy and oppressive, the state demanding about $\frac{1}{2}$ of the estimated gross produce of the land. Despite pleadings of Munro, revenue could not be reduced because orders were received from England for an additional heavy annual remittance. After a lengthy debate and judicial enquiry, assessment was reduced to $\frac{1}{3}$ of the produce. Even this reduced demand was found to be oppressive as it "represented the entire economic rent in many villages and fields". The government, however, was unsparing and used all methods including torture to ensure prompt realization.

The result was disastrous. The province of Madras became a scene of oppression and distress unparalleled even in that age. Agriculture was ruined by famine followed by famine. Epidemics, malnutrition and starvation became common place. The impoverishment of the peasantry led the administration to moderate its demand. Extensive settlement was ordered in 1855 when the state's demand was reduced to $\frac{1}{2}$ of the net produce instead of a share of the gross produce as before. Settlements were made for 30 years subject to enhancement at the expiry of the current

settlement. The peasants had no right of appeal to any tribunal; they had either to pay or quit. According to Louis Mallet, "the 50% of the net produce was a mere paper instruction, a fiction which had very little to do with the actual facts of the administration. In practice, the rates levied often absorbed the whole rental and not infrequently... encroached on profits also." Besides, the door of exploitation was kept open by not providing specific and definite grounds for the enhancement of the state demand. The terrible Madras famine of 1877 proved fatally how little the new settlement had added to the betterment of the cultivators. In subsequent years, the revenue demand was reduced and based on more scientific grounds two principles were introduced. The first was that assessment was on the land and did not depend upon the kind of crop grown. The soil was classified according to its productivity, normal output of each class of soil ascertained after a series of experiments, and this output was converted into money value not at the current rate, but at the average of the prices prevailing during 20 years immediately preceding the settlement. Under the second principle, various deductions were made to cover the cost of cultivation as well as cartage while estimating the net produce of each holding. Of this net produce, 50% was claimed as the maximum revenue which was not increased except in case of rise in prices. Besides, the government claimed no share of the increase in profits due to the improvements made by the cultivator. Temporary settlements were tried in Bombay in the early stages of the British rule but over assessments led to unhappy results. It was in 1825 that settlement on the Madras principle was ordered and government's demand was fixed at 55% of the produce.

The new settlement was faulty; the estimates of produce were wrong; the revenue demand was excessive, and, therefore, the settlement operations ended in oppression. By 1835, the province had so deeply sunk in poverty that a resurvey was ordered. It abandoned the basis of produce estimates and substituted value of land as the basis of assessment. Accordingly, land was divided into nine different classes according to quality and settlement was made for thirty years directly with the peasants, by-passing the village communities. The curse of over assessment, however, did not end. In the words of Sir W. Hunter, the government's demand hardly left "enough food to the peasants or cultivators to support himself and his family throughout the year." Between 1835-1896, three settlements were made during which government's demand was raised by 30% at each settlement of 30 years period. The produce of the land did not increase either in quantity or value. The natural consequence of this disproportionate enhancement was the ruin of the cultivators. Unable to pay, many "abandoned their homes and fled into the neighbouring native states. Large tracts of land were thrown out of cultivation and in some districts" no more than 1/3 of the cultivable area remained in occupation.

10.4.1 Impact of the Raiyatwari Tenure

The Raiyatwari system, although it was advocated as a closer approach to Indian institution, in point of fact, broke right across these institutions by making the settlement with individual cultivators. The individual being assessed directly, the village Community lost its economic function and the collective basis of its life was destroyed. R.C. Dutt points out that "ancient village communities of Madras declined from that date." By and large, "the system did not, in general, increase production or prosperity of the people." Top heavy assessments rendered the lands of little value and people with capital were shy of investing in agriculture for want of adequate returns. This can be seen from the fact that in Coimbatore, where assessment was moderate, and agriculture flourished. Objectively, by introducing this system, the colonialists helped a section of the small feudal, who had risen from the upper strata of the village community to strengthen their hold on land seized from the community. Thus, the Raiyatwari system, far from destroying the foundations of feudal landholding, merely consolidated it.

10.5 Land Revenue System in Mahalwari Tenure

"The Mahalwari system was introduced by 1822 with the estate or, 'mahals' proprietary bodies where lands belong jointly to the village community technically called the body of co-shares. The body of co-shares is jointly responsible for the payment of land revenue though individual responsibility was not left out completely. The question of introducing a settlement of land revenue in the ceded and conquered provinces came to the fore by the coming of 19th century. However, this system was started only by passing the Regulation VII of 1822 which held the practical implication of Mackenzie's minute of 1819. The system had broken down because of the excessive state demand and rigidity in its working and collection of land revenue. In a typically Mahalwari village, the co-sharers are actually the cultivators and peasants. According to J. S. Mill, the peasant proprietors compound with the state for a fixed period. The proprietors did not engage themselves individually with the government, but by villages." This was basically a modified form of the Zamindari system/settlement introduced in the Ganga valley, Punjab, North-West Frontier Province, parts of Central India. Under this system, a basic unit of revenue settlement was 'Mahal' or 'Village'. The village land belonged jointly to the village community who were responsible for payment of revenue. Entire land of 'Mahal' was measured at the time of fixing the revenue. They were also known as 'Bhaichare', or 'Mahals', which were basically groups of villages. Since the government revised the revenue periodically, the peasants

had not much benefit of elimination of middlemen between the government and the village. This brought about some improvement in irrigation facilities, though major benefits of the system were largely enjoyed by the government."When William Bentinck assumed the governorship of India, he made a thorough review of the scheme of 1822 by which Mahalwari system had been introduced. The government of Bentinck came to the conclusion that the Regulation of 1822 had caused a widespread misery. After a prolonged consultation and discussion he passed the Regulation IX of 1833. This regulation made the terms and conditions of the Mahalwari system more flexible. The new scheme worked under the supervision of Martins Bird. The new system started a new scheme of land revenue assessment and allowed the right of internal adjustments. Unfortunately, the system not worked successfully because the settlement officers, who were the carrier of the settlement, turned corrupt and evaded the actual rulers and collected the revenue at his own discretion. As a result the system proved miserable to the agricultural classes. This created widespread discontent and finally the Mahalwari System failed to create any extensive effect."

"The peasant proprietors dealt with the State for a fixed period. The proprietors do not engage individually with the government but through villages. The village, through its headman, undertakes to pay a certain amount for certain years. They assign to each man his quota. Primarily each man cultivates and pays for himself but ultimately, he is responsible for his co-villagers and them for him. Thus, they were ultimately bound together by a joint responsibility. If one of them is compelled to sell his rights to meet demands upon him, others have the right for preemption."

Briefly, in a Mahalwari village, a body of co-sharers jointly claimed ownership of the entire village area. It was recognized that the villages were units by themselves and the ownership of property was joint or communal. Baden-Powell gives three principles according to which land in a joint village was shared by the Co-sharing families. The first was the family-share system according to which each of the co-sharing families got a fraction of the whole, determined by its place in the genealogical table. The second system was adopted in the non-ancestral villages where land was shared either according to the number of ploughs owned or with reference to shares in wells or just in equal lots made-up artificially of various strips of land. Thirdly, there was the principle of defacto holding when there was no sharing. Hence in these joint villages, land revenue was assessed on the whole village called the Mahal; the co-sharers usually forming 'a large cousinhood' were severally and jointly responsible for its payment. Generally, however, a co-sharer of standing was selected to undertake the primary responsibility of paying the revenue. Generally, the joint villages of the U.P. were proprietary bodies descended from ruling chiefs, grantees,

revenue farmers who had grown up over an already existing body of cultivators who worked as tenants. In the central Punjab, where enterprising colonizing groups founded such villages, cultivation was mostly done by the co-sharers themselves and the number of tenants was inconsiderable. However, certain parts of U.P. and the frontier districts of Punjab had co-sharers belonging to a superior or military caste which considered it derogatory to work on the fields and therefore, cultivation came into the hands of tenants.

However, as the Congress Agrarian Reforms Committee noted, the details regarding procedure, period of settlement and assessment of land revenue vary from place to place. In Agra, Settlements were made collectively with village bodies but in Oudh, it was generally made with individual Talqudars. In the Punjab, revenue was collected from joint-holders of village estates; the share of revenue from each was distributed and could be recovered separately. In Madhya Pradesh, Malguzars were recognized as proprietary landlords of villages which were essentially Raiyatwari in character. In fixing land revenue with individual Malguzars, the settlement officers had to fix not only the revenue demand to be collected from Malguzars but also to determine the rent payable by all classes of tenants of Malguzars. The state demand varied from 40-70% of the rental and the settlement were made for 30 years. However, subsequently, under the Punjab Land Revenue Act, 1929, the states' share was fixed at 1/4 of the net assets and the period of settlement was extended to 40 years. Thus the Mahalwari system in the area of Oudh was in practice. On the other hand, Zamindari system with a temporary settlement was functioned in certain areas of the Punjab. At other places where it amounted to the growth of Raiyatwari system. In either case, the system was full of defects. The cultivators were in the same position as the peasant proprietors under the Raiyatwari system or tenants under the Zamindari system. The measures adopted by the Government failed to benefit the Raiyat on account of his ignorance, poverty and the passivity.

A fundamental fact about these land tenure systems is that none of them arose spontaneously out of the historical development of Indian society. Rather, they were economic experiments introduced by the British rulers. These experiments which while introducing certain foreign systems into Indian soil, swept away clean all the remnants of the old village communities. As Marx puts it, "In Bengal, they created a caricature of English landed property on a large scale, in South Eastern India, a caricature of small allotment property, in the North west, they transformed the Indian communes, with common ownership of the soil into a caricature of itself." These unsuccessful and absurd experiments were, from the very inception, harbingers of an agrarian crisis. They brought in chaos and disorder

in land relations, helped to boost up the declining feudal system, turned landlords into estate owners but peasants into paupers, created social tensions in countryside, ruined Indian agriculture and ushered in a whole era of devastating famines. According to Thorner, these "land systems served as a build-in-depressor on account of which Indian agriculture continued to be characterized by low capital intensity and antiquated methods."

Do you know?

In the year 1851-1852 the collection of total net revenue was 19927.039 pound by the East India Company. (Husain & Sarwar 2012)

10.6 Conclusion

As land is the only resource to the peasants, they must depend on it in order to survive. They must produce foods and other essentials things. In order to produce, they had to pay taxes to the kings. From ancient time it is true to India. But, during the Mughal period collection of tax from the peasants had gone in extreme in nature. This was also continued during the British rule. Everyone needed revenue or resources in order to fight his war and rule his kingdom. Therefore, different rulers imposed different types of taxes on the peasants and introduced various types of revenue system in their kingdom. Therefore, it may be concluded that in India the relationship between peasants and their land had been moulded through various forms of land revenue systems.

10.7 Summary

To collect tax from the peasants or tillers or cultivators of the land, the British found various forms of revenue systems in different parts of India. The major types of land revenue systems in India are Zamindari system, Raiyatwari System and Mahalwari system. In Zamindari system cultivated land belonged to the British Government and cultivators had to pay 90% of the rental to the government. It was consisted of two parts. One is Permanent Settlement and the other is Temporary settlement. Permanent Settlement was introduced by Lord Cornwallis. It was an agreement between the East India Company and the Bengali landlords to fix the revenues to be collected from the land. The Permanent Settlement was first enacted in Bengal, Bihar and Orissa. Later it followed in northern Madras Presidency and the district of Varanasi. Due to this agreement Zamindars were recognized as landlords instead of the original one. Also, these Zamindars were given hereditary rights of

succession of the lands. In Permanent Settlement all the land was not included. Rest of the land came under the Temporary Settlement agreement. Therefore, those temporary lands from where revenues were being collected in temporary basis were called as temporary revenue estates. In Raiyatwari system the responsibility to pay taxes were directly on peasants. During this land revenue system there was no intermediaries between peasants and the East India Company. Peasants themselves had to pay taxes to the government. In Mahalwari System individual peasant need not to pay taxes to the government. The responsibility to pay taxes to the government was on groups of peasant or on a particular 'Mahal' or area.

10.8 Questions

A. Answer Briefly:

1. What was the context in which new land revenue system was introduced by the British ruler in India?
2. Who are the Zamindars? What was their function in land revenue system?
3. Briefly state the features of land revenue system in India?

B. Answer in Detail:

1. Evaluate the relationship between peasant and land into the system of land revenue?
2. What are the main types of land revenue system in India?
3. Compare all the three types of land revenue systems in India?

10.9 References

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10.10 Suggested Readings

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UNIT-11 : Land Reforms in India.

Structure of the Unit :

- 11.0 Learning Objectives
- 11.1 Introduction
- 11.2 Meaning and Objectives of Land Reforms
 - 11.2.1 Definition of Land Reforms
 - 11.2.2 Objectives of Land Reforms
- 11.3 Land Reforms in India
 - 11.3.1 Abolition of intermediaries and forced labour
 - 11.3.2 Ceilings on land holdings
 - 11.3.2.1 Aims and Objectives of ceilings on land holdings
 - 11.3.2.2 Mertis of ceillings on land holdings
 - 11.3.3 Tenancy legislation
 - 11.3.3.1 Regulation of rents
 - 11.3.3.2 Security of tenure
 - 11.3.3.3 Rights of ownership
 - 11.3.4 Updating of land holdings
 - 11.3.5 Consolidation of holdings
 - 11.3.6 Cooperative farming
 - 11.3.6.1 Advantages
- 11.4 Impact of land reforms
- 11.5 Conclusion
- 11.6 Summary
- 11.7 Questions
- 11.8 References
- 11.9 Suggested Readings

11.0 Learning Objectives

In the last unit we have understood the unequal and exploitative relationship

between peasants and land revenue system during British rule. The primary objective of this unit is to understand the responses emerged as a reaction by the independent government of India to the unjust land revenue systems which were imposed upon the peasants. The objectives are:

- Meaning and purpose of land reforms in India
- Various land reforms measures
- Progress of land reforms in India

11.1 Introduction

The independent Indian Government decided to redistribute the fundamental agricultural wealth (land) to the tenants and poor peasants to build up an economically developed nation. "During recent years the main instrument for the re-distribution of income, wealth, status, power and opportunities has been thought to be land reform" (Khusro in A.R. Desai 1969 : 441). It was expected that the abolition of Zamindari and Jagirdari would empower the real cultivators of the land. It was also thought that the actual control of agricultural wealth and its income would be transferred from the hands of absentee intermediaries to those of actual cultivators through land reforms. In a country like India where more than 80% population survives on agriculture. The key issue in economic development is to solve the land problem. Therefore, the Central Government gave suggestions and directions to the state governments to take several measures for conducting land reforms. The Government of India had taken up various measures for land reforms under several Five-Year Plans.

11.2 Meaning and Objectives of Land Reforms

Land reforms may be defined as institutional changes that aim at changing the land relations favorable to the actual tillers of land and increasing the average farm-size of the cultivators. Land reforms consist of two changes or reforms - one is to re-fix the land relations between the owners and actual tillers of land and second is to change the average size of land holding so as to make it an economically viable unit. The objective of land reform is to provide social justice to the cultivators in order to assure equal opportunity to the larger section of rural population and to promote agriculture growth. Kaushik Basu in his paper titled, 'Land Reform in India' in the book, *The Oxford Companion to Economics in India* (Ed.) argues as "in an agrarian economy like India with great scarcity, and an unequal distribution, of land, coupled with a large mass of the rural population below the poverty line, there are compelling economic and political arguments for land reform. Not surprisingly, it received top priority on the policy agenda at the time of Independence. In the decades following independence

India passed a significant body of land reform legislation. The 1949 Constitution left the adoption and implementation of land and tenancy reforms to state governments. This led to a lot of variation in the implementation of these reforms across states and over time, a fact that has been utilized in empirical studies trying to understand the causes and effects of land reform." "Land reforms are often justified on the basis of promoting equity, reducing poverty, securing the nutrition of land-poor households, correcting social injustices, and averting social unrest. In addition, there is a view in development economics arguing in favour of land-reform programmes also on efficiency grounds. This view is grounded in the long-standing empirical evidence documenting an inverse relationship between farm size and land productivity (Berry and Cline 1979, Carter 1984, Cornia 1985, Banerjee 1999). However, empirical works studying the effects of land reforms on agricultural productivity or other key variables have been limited, and the existing evidence is mixed (Besley and Burgess 2000, Ghatak and Roy 2007, Banerjee et al. 2002, Bardhan and Mookherjee 2007)".

11.2.1 Definition of Land Reforms

C.N.Shankar Rao (2013) defines land reforms as "the legislative measures or reforms, initiated by the government to bring about changes in the pattern of land holdings to solve the tenancy problems, to increase the size of the land holdings, and to effect improvements in agriculture."According to Rao, it includes "various programmes of action, such as - abolition of Zamindari and Mahalwari systems of land tenure, tenancy reforms, ceilings on land-holdings, consolidation of the land holdings, creation of economic land holdings, etc."

Encyclopedia Britannica considers "land reform, a purposive change in the way in which agricultural land is held or owned, the methods of cultivation that are employed, or the relation of agriculture to the rest of the economy. Reforms such as these may be proclaimed by a government, by interested groups, or by revolution." In earlier days land reforms meant reforms to the tenure system or redistribution of land ownership rights. But, today it comprises a holistic approach to improve the agricultural system.

According to Kaushik Basu, "land reform usually refers to redistribution of land from the rich to the poor. More broadly, it includes regulation of ownership, operation, leasing, sales, and inheritance of land (indeed, the redistribution of land itself requires legal changes)."

11.2.2 Objectives of land reforms

The fundamental aims of land reforms in India were to abolish the intermediaries of the land and to protect the tenants, farmers or peasants from the hand of landlords' exploitation. Through land reforms it was aimed to make the tenant-cultivators secure

in their land-holding by declaring them to be permanent, protected and non-evictable tenants (Khusro in A.R. Desai 1969:442). Furthermore, the objectives of land reforms in India may be noted as follows:

- The farm structure based on owner-operated units is more efficient than one based on wage labor. There is little economic motivation for tenant farmer or wage labor to develop farmland for increased production. Since a cultivator who did not have security of tenure, and was required to pay a high proportion of output in rents, was less likely to invest in land improvements, or use high yielding varieties or other expensive inputs likely to yield higher returns. As a result, agricultural productivity suffered. The land distribution in favor of actual cultivators and poor peasants thus helps to increase agriculture productivity as it offers direct economic benefits to the actual tillers.
- Land being the most important productive asset in the rural areas, functions for the owners, as a determinant of social and economic status. Furthermore, the redistribution of land in favor of rural poor would help to improve their economic well-being, nutritional intake and access to credit. This would reduce income inequalities and rural poverty.
- Apart from its economic role, land reforms have profound social impact. If the patterns of ownership are fair, it enhances faith in justice and equity. A skewed land distribution pattern, alienation, or poverty is bound to lead to social discontentment, widespread unrest, and violent venting of frustration and anger. This could further increase volatility in a multi-ethnic and multi-religious country like India. Land reforms in India could solve these problems.
- The small and marginal land-holding results in under-utilization of land since the uneconomic land area is generally put to non-agriculture use mainly for housing or sale of land. Therefore, redistribution of land might help the government to make such uneconomic land holders benefitted.
- The inequality of land holding causes land degradation and has adverse ecological impact. In an effort to increase production on the limited land it is rigorously exploited by applying overdose of artificial fertilizers and chemical. This reduces the natural fertility of soils and increases its vulnerability to erosion. The excessive ground water irrigation causes salinization and problems like water logging.

11.3 Land Reforms in India

The peculiarities of Indian agriculture, combined with the declared desire to bring about economic development as well as social justice led the then government to under-take a comprehensive programme of land reforms. These reforms, be it noted,

had a popular base in as much as they were preceded by peasant disturbances and violent clashes in several parts of the country. Therefore, different state governments and the central government carried out various land reforms measures. The important measures are as follows:

- Abolition of intermediaries and forced labour
- Ceilings on land holdings
- Tenancy legislation
- Updating of Land Records
- Consolidation of holdings.
- Cooperative farming

11.3.1 Abolition of Intermediaries and Forced Labour

One of the first and foremost aims of the land reforms or agrarian reforms in India was to eliminate the middlemen such as the Zamindars and Jagirdars so as to bring the cultivator into direct relationship with the government and they could be benefited. These intermediaries were the main causes of stagnation in Indian agrarian structure. According to Rao, 40 percent of the land of the country was under the Zamindari system at the time of independence. This Zamindari system made tenants' life unbearable. Therefore, the new government wanted to abolish those systems of land revenue. In 1948, Madras had taken the legislation successfully for abolishing such intermediaries. During 1955 to 1960 many states of India passed legislation to abolish the system of intermediaries. In such states where temporary settlement presented (for example Madhya Pradesh and Uttar Pradesh) the task of abolishing intermediaries was easy. But, in Bihar, West Bengal and Orissa where permanent settlement system existed abolishing such systems were little bit difficult because land records had to be built from beginning. Through the legislation various state governments took away the lands held by the intermediaries by giving compensation to them in terms of money or bond. After acquiring the land, state governments had redistributed the lands among the landless tenants or cultivators. As a result more than 30 lakh tenants and share coppers got ownership rights over a total cultivated area of 62 lakh acres throughout the country through land distribution programme (Rao 2013:401).

It should be noted here that India had paid the compensation to the landlords of Rs. 670 crores while the Communist countries like Russia and China just acquired the lands from the landlords at no cost. There may be noted a pattern of land acquisition programme in India. Firstly, all lands of intermediaries had not been taken away from them. Personal farm-lands and land of self-cultivation of intermediaries were left with them. Secondly, forests, rivers, mines, channels, fisheries and common lands were

conferred (vested land) to the governments only. Thirdly, in states like Bombay, UP, MP, Hyderabad, Mysore and Delhi tenants had to make payments to get ownership rights for their cultivated lands. Abolition of intermediaries had some effects on the relationships between peasants, landlords and the states.

11.3.2 Ceilings on land holdings

'Ceilings on land holdings' is the most key measure of land reform system adopted by the states and Central government of India. It means the fixation of maximum upper limit of land holdings per family of five members. Therefore legislation was passed by the State governments to implement the land ceiling process. This legislation made provision how much land would be held by a farmer and his family. Central Government of India passed legislation on ceilings on land holdings in the year 1950 after realizing that ceilings on maximum land holdings was the key element of land reform system. Therefore, all the State governments passed the prescribed legislation on ceilings on agricultural land holdings. It should be noted here that the upper limit of the ceilings of land holdings differed from State to State. It also differed on the nature of land. Depending upon quality of land, nature of land, location of land and availability of irrigation facilities - the ceilings on land holdings differed. Some exclusion was there. "Certain categories of lands like tea gardens, coffee gardens, rubber plantations, some orchards and specialized farms were exempted from the ceilings"(Rao 2013:403). In the year 1972 all the states had modified the ceilings on land legislation as recommended by the Central Land Reforms Commission of 1971. As per the revised ceilings law of 1972, ceilings on land holdings would be applied upon a family of five members and not upon an individual. This legislation prescribed three types of land ceilings. These are (i) for lands used in irrigation, the upper limit of land holdings is 10 to 18 acres; (ii) for partly irrigated land, the upper limit of land holdings is 27 acres; and (iii) for dry lands the upper limit is 54 acres.

11.3.2.1 Aims and objectives of ceilings of land holdings

The Central Government of India truly realised the necessity of ceilings of land holdings. Without land ceilings, land reforms hardly could be successful; because the largest portion of the ownership of lands in India was in the hands of few landlords. Therefore, the main objective of land ceilings was to minimize inequalities in land ownership pattern. In order to do so, the Government had to give some lands to the landless cultivators. Through land ceilings process, Government would distribute the excess lands among the landless. This is another major objective of land ceilings process. Thus it would create an opportunity of self-employment by distributing the surplus lands to the land tenants, cultivators and peasants. It also would help to grow

national income and economy of the country when land based self-employment endorses more agricultural productions. To cover-up all these aims various State Governments has implemented legislations on ceilings on land holdings.

11.3.2.2 Merits of ceilings on land holdings

There were some positive effects of ceilings on land holdings. These are as follows:

1) Land revenue system during British rule had worst effects as it exploited the landless peasants and tenants. Therefore, one of the vibrant results of land ceilings is to secure social justice for the exploited landless cultivators. Beside this ceilings on land holdings made it possible to redistribute among many more cultivators the lands that were accumulated by few land lords. It helped our agricultural development supplying income to the millions of land labours.

2) Land redistribution impacted country's economy as small farms could be more economic and well managed than the large farms.

3) Ceilings on land holdings would forge a co-operative spirit into the management of the land. It would help the landless peasants in such a way that it promotes social cohesion, management and joint cultivation.

4) Ceilings on land holdings promoted socio-economic status of the poor and landless cultivators. It actually raised their income.

11.3.3 Tenancy legislation

Tenancy reforms are related to the tenancy system established by the British in India. To bring reforms into tenancy system the independent Central and many State Governments passed tenancy legislation. The State governments were forced to apply tenancy legislations to remove the evils of the tenancy system. There were three types of tenants in India. Those are (i) Permanent tenants, (ii) Tenants at will, and (iii) Sub-tenants.

Permanent tenants occupy lands and enjoy permanent rights over the land like an owner. They could not be evicted from their occupant land as long as they pay rent on time to the original land lords. But the other two categories of tenants faced lots of exploitative practices adopted by the landlords. As these tenants could be evicted at any point of time from their occupant land at the will of the original landlords, they had to face that exploitation in order to survive. During this type of tenancy in India tenants were forced to pay high rents to the landlords for their cultivated land. They would not be able to become owners of the land that they were cultivating. Beside this they had no security of tenure. Though permanent tenants could enjoy rights on their cultivated lands on condition of payments of regular rents, other two categories

of tenants had no such facilities. Having all these problems and facing exploitation from the landlord tenants took little interest in improved cultivation. "The problems of tenants virtually halted the progress of the Indian agriculture. Therefore special laws and legislations had to be instituted in order to protect these tenants. Accordingly, after independence, all the state governments took necessary steps to pass tenancy laws to overcome the evils of the existing tenancy system" (Rao 2013). There are few general features of tenancy laws passed by various state governments. These are -

11.3.3.1 Regulation of rents

Rao (2013) has clearly stated about the regulation of rents as "during the pre-independence period, rents were fixed either by custom or were the result of market forces of demand and supply. Due to the increase in population, there has been a continuous demand for the land, which led to a continuous rise in rents. The decay of handicrafts increased the dependence on land further and thus pushed up rents. Rack-renting was a common feature of the Indian agrarian structure. Even the rates of rent were not uniform throughout India. In Gujarat, Maharashtra and Rajasthan, 1/6th of the gross produce has been fixed as maximum rents. In Punjab, 1/3rd of the produce has been considered as a fair rent, while in Tamilnadu, it has been between 33.3 and 40 per cent of the gross produce. In Assam, Karnataka, Manipur and Tripura, maximum rents varied between 1/4 th to 1/5 th of the gross produce. The tenants had no voice to protest against the exorbitant rate of interest levied by the landlords". Therefore, an important section of rent regulation in tenancy legislation was introduced to fix fair rents for the land. The tenants now have the options to pay the rents in cash rather than in kind. In the past they had to pay rents in kind only.

11.3.3.2 Security of tenure

To make an end of tenants' uncertainty upon land ownership, legislations had been enacted in most states. Legislations of tenure gave them permanent rights over land that they were cultivating. Those legislations on security of tenure had three crucial objectives. Firstly, without provisions of the law no tenants could be evicted from their land. Secondly, land may be resumed by an owner if only the owner uses the land for personal cultivation. And thirdly, 'in the event of resumption' tenants had to be given a minimum area as prescribed by the law.

11.3.3.3. Rights of ownership

Various State governments passed legislation to confer ownership rights of land to the tenants. Among those States, West Bengal, Kerala and Karnataka were more successful than the others. According to the tenancy laws, a tenant could be owner of lands that s/he had been cultivating by paying some amounts in instalments. After

taking several measures, conferring rights of ownership to the tenants is still a problematic issue in India.

11.3.4 Updating of Land Records

To make land reforms successful in India it was very much essential to update the land records. During pre-independence period it was different to get information on issues like total size of lands, names of land owners, level of land fertility, data on availability of irrigation facility and types of cultivated products. To improve agricultural production it was necessary to classify lands and resources according to their utility. Therefore, independent government of India and State governments rightly took right steps for compilation and updating land records on the basis of land's nature and its types. Still in India most of the farmers do not have proper land records. There is a lack of will from both the side of farmers and government officials though government has taken all necessary steps to maintain land records. For example, during the recent years land records are being kept through computerization.

Do You Know?

"The government has spent more than Rs. 300 crore on computerisation of land records (CLR) in the last 10 years, but incorrect and out-of-date entries have been made without field verification. The dissemination of these records to the farmers too is being done in the traditional offline manner. For this, the government should use aerial survey technology for preparing cadastral maps and land surveys and put them in a web-based service delivery system. Once ownership and other records are on the web, people would file online applications for correction. Thus records can be corrected with speed and reduced contact between people and the bureaucracy. Second, laws relating to prevention of fragmentation should be done away with. Third, the registration office should be computerised along with CLR. Fourth, there should be only one department to maintain land records as well as to register land sales, and the work of registration should be done by the revenue department itself. Lastly, as against registration of the deed first and correction of records later, registration should be done only after verification of the title and genuineness of the transaction. (Saxena 2005)"

11.3.5 Consolidation of holdings

The consolidation of fragmented holdings was regarded as "an integral part of the agricultural production programme." Legislation for compulsory consolidation of holdings was enacted in Bombay in 1947, in the Punjab in 1948, in Pepsu and Saurashtra in 1951 and in U.P. in 1953. Similar provisions were made in other provinces except Kerala and Madras. By 1964-65, a total area of 55 million acres was

consolidated. The progress was especially marked in Gujarat, Maharashtra, Mysore, Punjab, Rajasthan, and U.P. while in West Bengal, Assam, Orissa and J & K, the scheme had not been taken up for implementation. Those who gained the most were the upper strata of the peasantry for whom the elimination of strip-farming facilitated the shift to capitalist farming. In simple terms, consolidation of land holdings means, converting many small and fragmented holdings into one big farm. In this process farmers are convinced to get, one or two compact farms in place of their fragmented farms. Process in which farmers' fragmented land holdings are pooled and then re-allotted them in a way that each gets a single farm of having same total size and fertility like his previous fragmented landholdings.

Do You Know?

1750s: Denmark was the first country to start land consolidation.

The necessity of land consolidation was essential. Farms in India are not only small in size but also lie scattered. Scattered farms consume lot of time, energy and money. Therefore these resources wasted in moving men and material from one farm to another. Farmers were in a position of sub-optimal use of resources. Hence land consolidation was essential for progressive farming/ capitalist methods / mechanization of agriculture. There are two types of land consolidation methods. One is voluntary consolidation. And the other is compulsory consolidation. In voluntary consolidation the farmers themselves agree to voluntarily consolidate their land holdings. It started in Punjab, in 1921. The merits of voluntary consolidation are like - i) done by local co-operative societies; ii) does not lead to any dispute; and iii) no pressure/coercion exerted on anybody. But this process is very slow. Beside this, Zamindars usually create hurdles in its progress. Gujarat, Madhya Pradesh and West Bengal have passed laws for voluntary consolidation. When consolidation is made compulsory by law, it is called compulsory consolidation. In partial compulsory consolidation, if a majority of farmers in a village agree to get their holdings consolidated, then the rest of the farmers too will have to get their fragmented holdings consolidated. In the year 1923 Madhya Pradesh passed first this act. In the year 1936 Punjab passed act after Madhya Pradesh. According to this act if 66% of the farmers owning 75% of the village land, agreed for land consolidation, then remaining farmers will have to compulsorily agree. In Complete Compulsion, state government make law to compulsory land consolidation. It will not consider how many farmers actually want it or not. In 1947 Bombay state (now Maharashtra) was the first state to enact compulsory consolidation. Then in 1948 Punjab also passed similar act. Now many states have passed laws to this effect. The benefits of consolidation of land holdings are : i) Scientific methods of cultivation, better irrigation, mechanization are easier on consolidated holdings which reduces

cost of production and increases income; ii) Surplus land after consolidation can be used for construction of gardens, school, Panchayat Ghar, roads, play grounds for the benefit of entire village.

11.3.6 Cooperative farming

Cooperative farming did not receive much attention before the planning period although the Congress Agrarian Reforms Committee had recommended cooperative farming for holdings below the 'basic' holding. It was the Second Plan which envisaged that "the main task is to take such essential steps as will provide sound foundations for the development of cooperative farming, so that over a period of 10 years or so, a substantial proportion of agricultural land is cultivated on the cooperative lines." The progress was rather meager. Up to 1965-66, a total of 7294 cooperative farming societies having a membership of 1.88 lakhs had been formed and these covered an area of 3.93 lakh hectares. However, many of these societies were defunct and some existed only on paper for the sake of obtaining state grants though their land was cultivated in the old way. Quite a few permitted individual cultivation. In these, there was neither the pooling of resources nor joint operation of land. A number of these were formed with a desire to evade land reforms measures in various states. Gunnar Myrdal opines that cooperative farming was found by urban landowners as a convenient device for converting share croppers into wage labourers and hence a means whereby absentee-owners could reap gains from agricultural modernization. This explains why 'absentee landowners were among the supporters of the cooperative farming idea.' One of the basic requirements of the Pilot Programme launched during the Third Plan was that "the bulk of the members should be small cultivators or landless persons or both." This was to ensure that absentee landowners were kept out. The Gadgil Committee on cooperative farming, however, found that only 1/3 of the societies satisfied this requirement while 2/3 had no qualification to be included in the Pilot Programme. This was bound to happen where cooperatives were introduced without first altering the rural class structure. In cooperative farming system each member-farmer remains the owner of his land individually, but farming is done jointly. Profit is distributed among the member-farmers in the ratio of land owned by them. Wages distributed among the member-farmers according to number of days they worked.

11.3.6.1 Advantages

As the size of farm increases, therefore the per hectare cost of using tube-well, tractor comes down. In the small farms, some land is wasted in forming the 'boundaries' among them. When they're combined into a big cooperative farm, farmers can also cultivate on that boundary land.

Overall, in this system large farms are economically more beneficial than small farms. It also solves the problem of sub-division and fragmentation of holdings. Cooperative farm has more men-material-money resources to increase irrigation potential and land productivity. Members would not have been able to do it individually on their small farm. Case studies generally point out that with cooperative farming, per acre production increases.

11.4 Impact of land reforms

Land reforms in India had much bigger impact on agricultural sector as well as on society. A huge wasteland belonging to indars or big farmers remained uncultivated. Through land reform pomes those lands were given to landless peoples as a result of which there has been an in cultivation area. "Equal distribution of land will encourage intensive cultivation resting in increased agricultural production leading to higher production levels. Some farm management studies conducted in India testified that small farms yielded more production per hectare. It is so because family members themselves cultivate small farms.

Even one hectare of land is also an economic holding these days on account of improvement in agricultural technique. Hence, small size of holding due to ceiling will not have any adverse effect on agricultural production. At least some of the land owners shifted to direct efficient farming in order to get 'exemption from land ceiling Consolidation of landholdings ensures that small units of land belonging to the same small landowner but situated at some distance from one another could be consolidated into a single holding to boost viability and productivity. In a land-scarce country with a significant section of the rural population below the poverty line, the case for ensuring that everyone has access to some minimum amount of land has considerable importance in rural economy. Because, whoever controls land, controls the power. The tenancy laws have given the tillers protection from exploitation by providing them security of tenure and fixing maximum chargeable rents. Land ceiling reduced this power inequality among villagers. The intermediary rights have been abolished. India no longer presents a picture of feudalism at the top and serfdom at the bottom. Promoted spirit of cooperation among villagers. It will help develop cooperative farming."

11.5 Conclusion

The positive effect of land reform was the abolition of intermediaries like zamindars. "Absentee ownership got reduced much more in un-irrigated areas, than in irrigated areas. The transfer of land under the fore-warning impact of the tenancy and ceiling

legislation to the resident cultivators was on a much larger scale in dry areas. The greed of the big landowners was kept in check. It led to an increase in the landless labour, as former tenants were driven out. Rich peasants preferred to avoid wage related disputes with the new labour and thus preferred more mechanization. Tenancy reforms were most successful in Kerala and West Bengal. In the late 1960s a massive program of conferment of titles to lands, to hutment dwellers and tenants were highly beneficial. In West Bengal Operation Barga' was launched in 1978 with the objective of achieving the registration of sharecroppers and provide them permanent occupancy and heritable rights and a crop division of 1-3 between landowner and sharecropper. Cooperatives and community development programs were started. Factors responsible for the success of land reforms include political mobilization. This political awareness and education facilitated the acceptance of land reforms to advance the development of agriculture."

11.6 Summary

The crucial features of the land reforms movements may be summed up as follows.

Institutional reforms: Institutional reforms started soon after independence and continued till the early 1960s. It included:

- Abolition of intermediaries like zamindars, jagirdars, etc. All states passed the laws to abolish intermediaries, with varying provisions for resumption for self-cultivation.

- All laws provided heritable rights to the tenants.

- Tenancy reforms involving providing security of tenure to the tenants, decrease in rents and conferment of ownership rights to tenants.

- Ceilings on size of landholdings.

- Redistribution of land led to Land consolidation.

- Co-operative movement and community development programmes.

Digitisation reforms: It begins around the mid or late 1960s and saw the gradual ushering in of the so-called Green Revolution and has been seen as the phase of technological reforms. It is marked by:

- Digitisation of land records.

- Making land records available to all, to contain/check property frauds in the late 1980s.

- The Digital India Land Records Modernisation Programme (DILRMP) was launched by the government of India in 2008 to computerise all land records.

11.7 Questions

A. Give brief answers to the following questions.

1. What are the main objectives of land reforms in India?
2. How do you realize land reforms' importance in India?
3. Write down a short note on tenancy legislation in respect of land reforms in India.
4. What is cooperative farming? State its advantages.
5. State the limitations of land records process in India.
6. What is meant by ceilings on land holdings?

B. Answer to the following questions in details.

1. Critically review the Land Reform system in India.
 2. Write down three major land reform processes in India.
 3. Describe the necessity of consolidation of land holdings. Examine its progress in the states of India.
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UNIT-12 : Rural Indebtedness and Suicide of Farmer

Structure of the Unit :

- 12.0 Learning Objectives
- 12.1 Introduction
- 12.2 Consequences of Indebtedness
- 12.3 Measures for the removal of indebtedness
- 12.4 Suicide of farmers in India
- 12.5 Reasons behind farmers' suicides in India
- 12.6 Conclusion
- 12.7 Summary
- 12.8 Questions
- 12.9 References

12.0 Objectives

To Provide explanations regarding the following :

- The idea of normal indebtedness
- Consequences of indebtedness
- Measures for eradicating indebtedness.
- Suicide of formers in India

12.1 Introduction

Indebtedness means an obligation to pay money to another party. In rural India, the poor farmers and wage labourers etc. who are unable to pay a loan and accumulate it, it gives rise to the problem of rural indebtedness. Indeed rural indebtedness is an indicator of the weak financial infrastructure of our country, which includes inability of our economic system to reach out to the needs of farmers, landless people in the villages and the agricultural wage labourers.

The farmers borrow loan for either agricultural operations or some other uses like supporting the family in the lean season or to buy equipments due to lower income or wasteful expenditures when the farmers are unable to pay the loans. They are unable to pay off their debts and thus accumulate the debt as well as pending interest on the amount. The weak financial situation in India has given the local money lenders an opportunity to exploit such farmers from generations to generations.

What the Royal Commission on Agriculture in India said in 1928 is still applicable in post-Independent India i.e. the Indian peasant is born in debt lives in debt, bequeathes the indebtedness to his successors. In other words this problem of indebtedness is not related to one individual, but is passed on from one generation to the next generations on word.

No doubt, taking or incurring debts for the purpose of agricultural production is indeed necessary as it contributes to production. However, the rural people incur debts often for non-productive purposes such as to meet certain family needs and social functions related to marriage, birth or death, religious ceremonies — and litigation etc.

Since money taken on loan often does not contribute to production, but instead to consumption, it drags the rural people into indebtedness. As incomes of the poor villagers are not sufficient enough, they often are not able to repay these loans. Thus the loans taken remain often unpaid and the amount continues to increase with the passage of time.

Causes of rural indebtedness

In view of the above, we can now trace the causes of rural indebtedness in the following :

(i) Poverty : With low income, farmers cannot save much. Thus, in case of an eventuality such as crop failure due to natural calamities like floods, or failure of monsoons, the farmer has to borrow and often at a very high rate of interest. Moreover, the farmer has to borrow in order to make certain improvements on his land such as taking steps for flood control, construction and deepening of wells for irrigation or for purchasing costly implements and inputs. The farmer has to borrow because he is poor. Similarly his persistent poverty makes it difficult for him to save & repay the loan. It is a vicious circle.

(ii) Helplessness of small farmers

A large number of our farmers are small farmers unless they earn some more through one or the other means, they cannot survive. For centuries together, such small farmers were depending on handicrafts, homemade industries such as pottery basket-making, mat-making, toy-making, brick-making etc. The factory-made goods

have destroyed their market. Hence, they struggle a lot for finding out alternate source of income and finally fall a prey into the hands of local money lenders.

(iii) Problem of landless labourers

A large number of our farmers are small farmers and all those who live in the villages are largely not owners of the land. In many instances, the upper caste people own the land and the low caste people toil on their land as agricultural labourers.

Many of these people again, have become bonded labourers. Bonded labourers are persons who are forced to work for the creditors for the loan incurred, either without wage or on nominal wage. 'It is also said that around 5.7% of the total agricultural labourers working in India, constituted bonded labourers. Many of them have become bonded labourers due to their inability to pay back the loan borrowed from the land-owning money lenders of the existing bonded labourers. Around 90% of them are found to be Scheduled caste and Tribal men who are exploited in several ways.

(iv) Defective Marketing System

Small farmers can lead a comfortable life only when good marketing facility is provided and minimum rate of for their produce is assured. This cannot be expected in the Indian rural context. Lack of proper transport and storage facility and absence of systematic marketing facility have damaged the economic strength of the people, cooperative Marketing and Regulated Market facilities are only recent developments.

(v) Lack of transport and Communication facilities.

Transport and communication systems in society are like the circulatory system in human body, Unfortunately, these facilities are not available to a sizeable number of our village. Hence the farmers find it extremely difficult to take their produce to a market where the prices are comparatively attractive. Moreover farmers are made to walk miles together to reach a town to obtain newspapers, postal banking, medical and telephone facilities.

(vi) Backwardness of Agriculture :

Indian agriculture is an uncertain business It virtually depends on unreliable rains for the supply of water. If there are no rains or untimely rains, the entire crop is lost and the money invested on the agriculture goes waste As a result, the loan taken for the productive purpose also becomes a burden, leading to indebtedness of the farmers.

It has been noted that though more than 70% of our people depend upon agriculture, agricultural output accounts for less than 40% of our national income. Our land distribution system is one of the reasons for this. 10 to 20% of landholders hold 70% of the total land and 50% of the landholders are marginal and 50% of the landholders are marginal farmers with less than one hectare of land.

This disparity has added to rural poverty. There are poor householders in the rural

areas which are called destitute with an annual income of even less than Rs. 4000/- (at the 1991-92 price level) as noted by the Ministry of Rural Development. The decline of the traditional skills and handicrafts, slow disappearance of home industries and the increasing industrialization have deteriorated the economic conditions of our farmers. Poverty has thus adversely affected the standard of living of the ruralites.

(vii) Excessive Burden of Land Revenue and Rent

Land revenue, where it is levied by the government in some states and the rent payable to the land-owners, is becoming excessive burden on small farmers. In order to pay these land revenues, the farmers take loan. Sometimes, the farmers have to pay these rents and land revenues even during the floods and drought. This makes the farmers run into debts.

(viii) Informal credit easier to obtain but formal loans are not getting repaid.

More rural households rely on informal credit - farm moneylenders family and friends, even as banks and other formal agencies struggle with unpaid loans.

In 2013, 28.6% of farmers relied on professional money lenders - the premier sources of rural loans; It went up from 19.6% in 2002. Non-performing assets (NAPS) of banks & other formal institutions lending to farmers rose 20% over a year to 2017.

Rural households continue to depend on moneylenders because formal credit delivery services while growing, have not reached adequately into rural areas, and because non institutional sources offer quick money, said a 2013 RBI (Reserve Bank of India) paper.

Borrowing from formal sources implies paper work, inflexible conditions and collateral, while informal sources are more flexible and often do not ask for collateral even as money is lent at higher rates of interest Informal sources do not insist on punctual repayment as banks do.

(ix) Defective Money Lending System

The village money lending system is very much defective; the sole aim of the moneylenders is to extract the maximum from the farmers. The moneylenders make wrong entries in their account books, charge very high rates and extract high prices for the goods they sell to the farmers but purchase the farmers produce at very low prices.

In course of time, as the amount of the debt increases, the moneylenders are much interested in seizing the farmer's lands and other valuable assets than the debt being repaid by the farmers. Thus the farmers are trapped in the hands of the moneylenders.

(x) Ancestral / Inherited debt

Most of the rural debts of the present day are inherited from the past and which increases with the passage of time.

An inheritor is liable to the repayment of the debt but can make that only to the extent of the property inherited by him.

Despite this law, the rural people continue to repay the debts of their forefathers as they are not fully conversant with law as they are illiterate.

As these people are bound by the tradition and values. They regard it as their sacred social duty to repay the debts of their forefathers.

Such an increasing debt is passed on from one generation to another making its repayment increasingly difficult, whenever it is passed on.

(x) Social and Religious needs

Villagers are mostly bound by the social traditions and customs, which are considered to be sacred and hence must be performed. Some of these ceremonies are marriage, birth, death, religious occasions etc.

The expenditure is usually very high for the performance of these ceremonies. In order to meet these needs, the villages take loans. As their incomes are not sufficient enough, they are not able to repay these loans. Thus they remain unpaid & increase with the passage of time.

(xi) Litigation

Generally, the agriculturists in India are involved in various kinds of disputes related to land, and property which force them to go to a court of law. Often they view it as important to win the case as it is related to the family prestige and honour.

Such litigations involve heavy expenditure and time. In order to meet these needs, the agriculturists take loans that they are not able to repay and are caught into indebtedness.

12.2 Consequences of Indebtedness

The consequences of rural indebtedness can be categorised into economic, social and political in the following—

Economic Consequences : As the farmer is deprived of the substantial part of his produce in clearing the debts, payment of interests and principal amounts, he loses interest in agricultural production. This leads to low agricultural production and income.

The farmer is forced to sell all his produce to the moneylender and he is deprived of selling his produce in the open market and obtaining the prices of the market. Such a situation adversely affects the inducement for work and agricultural production of the farmer.

The trade between the moneylender and the farmer is always beneficial to the moneylender. The farmer is charged heavily for what he purchases and receives little

for what he sells to the moneylenders. Thus such trade leads to the loss of a substantial part of his income.

In the process of obtaining loan, payment of interest and repayment of principle amount loans to the moneylender the farmer often loses his land, as he is not able to repay the loan. As a result, the farmer, once the owner of the land, becomes a landless labourer.

Social Consequences : The relations between the moneylenders and the farmers become venomous and the social life is poisoned. Therefore, the social groups get divided into two classes- the exploiting class and the exploited class. Due to loss of land, the farmer feels deprived and pushed down in the social hierarchy. Land ownership gets concentrated in few hands which builds up tensions between the moneylenders and farmers.

As the farmers lose their lands, their self-respect is lost where they eventually become slaves and bonded labourers.

Political Consequences : The indebted farmers are treated by the moneylenders as mere commodities. The money lenders use these farmers as their private property. As their economic position is insignificant, they do not have a political status of their own.

Their political participation is completely dominated by the moneylenders who use them for their own political advantages.

To free themselves from the clutches of the moneylenders, farmers indulge in illegal means to repay loans. The moneylenders in their attempts to drag and squeeze the farmers indulge in all kinds of illegal practices & poison the social atmosphere of the villages.

Thus, rural indebtedness adversely affects all the aspects of rural life. It hampers agricultural production and rural economy, reduces the farmer to a landless labourer and poisons the social and economic life of the rural people.

In view of the above causes and consequences of rural indebtedness, we can briefly note the results of rural indebtedness in the following.

(i) Forced selling of mortgaged lands by the peasants due to non-payment of debt and consequently giving rise to landless labourers, (ii) Exploitation by moneylenders, (iii) Growing poverty due to lost capacity as a labourer, (iv) Discrimination in the rural society, (v) Social unrest causing crimes and suicides, (vi) Dividing the rural society into landlords and landless people, (vii) Posing hurdles in the social and economic development, (viii) Giving rise to the problems of bonded labour (ix) Political exploitation as poor farmers are not able to choose the right candidates due to monetary issues.

12.3 Measures for the removal of indebtedness

The problem of indebtedness can be solved by two means. The first is to take up measure to reduce the burden of present indebtedness and the second is to prevent the evil from rising again in the future.

To reduce the present burden of indebtedness, the following measures have been suggested : (i) Cancelling all the debts paid to the moneylenders by the farmers which are more than the principal amount. Cancell all Italy, debts which are already been repaid but still stand in the account books of the moneylenders debts that are created by the moneylenders on book of accounts, though already paid in the form of money, produce and other services like labour.

(ii) Debts should be properly scaled down. According to law, the inheritors are liable to pay the debts only to the extent they have inherited. In this way most of the debts will be reduced.

Debts that are excessive and standing since a long time, should be settled between the concerned parties or through the village panchayats.

Debts which do not have records or exist with incomplete records, should also be reduced, if not written off.

(iii) Apart from the above two steps, the remaining part of the debts should be handled by special institutions, such as the banks. Such banks pay the amount to the moneylenders on one hand and recover the same from the debtors on easy terms. These banks can also collect funds and provide credit facilities to their member.

To control the problem of indebtedness in future the following steps are recommended.

(a) Income of the farmers should increase so that they could meet the unproductive expenses and are not forced to take any loan.

In order to achieve this goal it is necessary that agriculture should be conducted on scientific basis, not depending totally on the natural climate factors, In the application of chemical fertilizers, care must be taken so that the natural fertility of the soil is not disturbed.

Some other measures have also to be undertaken such as the introduction of land reforms, providing market for the agricultural produce, Spread of agro-based industries etc.

(b) The Panchayat and such other village level institutions should try to solve the rural disputes at local level and try to prevent them from going to the courts of law, which need heavy expenditure.

(c) Information regarding the debt laws and their implementation should be given

to the villagers so that they do not get into clutches of the moneylenders for generations.

(d) Adequate credit facilities on reasonable terms should be arranged to the farmers. Cooperative credit is a good solution in this regard. Private lending should be eliminated in this field.

The above-mentioned two types of measures should be carried on simultaneously. Mere reducing the present debt without any preventive measures for its recurrence in the future would not help the situation. There is every possibility of the evil of indebtedness to rise again and again. Thus both these measures should go hand in hand so that the problem of rural indebtedness vanishes in due course.

The present tendency of the different political parties to reduce or wipe out the debts of the farmers to a considerable amount in the banks is mainly to gain political support. The State Bank of India as reported has wiped out huge amount of farmers debt. This is sheer wastage of public money. The government should take measures so that the farmers can get the opportunity to earn money and can close the debt by instalments. The government would take measures to provide loans on as much low interest as possible. During unavoidable natural disasters the payment of loan can be temporarily withheld. But under no circumstances the payment of capital should be wiped out.

It is suggested that serious thinking should be made to adopt cooperative or collective farming retaining individual ownership of property. In this process, the poor landowners would be saved from the rising costs of cultivation. Moreover, the marginal farmers would work in the field and would be financially protected.

Finally rural indebtedness can be evaded if essential aspects of rural development are introduced as well as implemented with all earnestness in the following spheres.

(i) Agricultural development is the most significant aspects of rural development. Agricultural development can be ensured through mechanization of agriculture, consolidation of land holdings, effective implementation of land reforms, use of good varieties of seeds, adequate fertilisers, pesticides, adequate supply of water, proper crop planning, proper harvesting and so on.

(ii) Rural development must necessarily include proper plans to change the socio-economic structure of the rural set up. Those changes would ensure, maximisation and equitable distribution of income among rural people.

(iii) Rural development programmes must be politically independent. Political interference through political parties and leaders is going to spoil the very purpose of the programme.

(iv) It is essential that all the rural development programmes must have cooperative societies as they support base production, sale of outputs, extension of marketing, finance or credit and also, cottage industry for the supply of consumer goods. The

government through village panchyats and panchayat samities should look after the direct purchase of paddy and other agricultural products from the farmers and agriculturists at reasonable prices so that the middlemen cannot deprive the cultivators and agricultural producers.

(v) Programmes of rural development demand the active participation of the rural people. Programme should always be framed on the basis of the felt needs of the people. In this respect honest and respected leaders of the rural areas must come forward and give proper guidance to the masses. The bureaucrats and the civil servants attached to the rural areas like BDOs and other staff members of the panchyats would mix with the people and help them in all possible ways.

(vi) Education, health facilities, accommodation are to be provided to the rural people who need them badly. At the same time financial assistance needs to be provided to the needy for self-employment and the goods & services provided by them are to be procured with proper economic assistance.

No doubt, since independence the government at the national and provincial level have adopted various programmes such as -

- (i) Community Development Programme (CDP-2nd October 1952)
 - (ii) National Extension Services (NES-2nd October, 1953)
 - (iii) Integrated Rural Development Programme (IRDP-1978)
 - (iv) National Rural Employment Programme (NREP 1980)
 - (v) Antyodaya Programme (1972)
 - (vi) Jawahar Rozgar yojana (JRY-1989)
 - (vii) Rural Land less Employment guarantee Programme (RLEGP-1983)
 - (viii) Training Rural Youth for Self-Employment (TRYSEM 1979)
 - (ix) Tribal Development Programme (TDP-1959)
 - (x) Drought Prone Area Programme (DPAP-1979)
 - (xi) Desert Development Programme (DDP-1977)
 - (xii) Food For Work Programme (FFWP-1977)
 - (xiii) Nehru Rozgar Yojna (NRY-October 1989)
 - (xiv) Prime Minister's Rozgar Yojna (PMRY-2nd October, 1993)
 - (xv) Employment Assurance Scheme (EAS-2nd Oct. 1993)
 - (xvi) Swarnajayanti Gram Swarozar Jojna (EAS-2nd oct. 1993)
 - (xvii) Jawahar Gram Samridhi Yojna (JGSY-April 1999)
- Special programmes for providing rural employment such as-
- (i) Command Area Development Programme (CADP)

- (ii) Employment Guarantee Scheme.
- (iii) Small Farmers Development Agency (SFDA)
- (iv) Marginal Farmers and Agricultural Labourers Development Agency (MFAL)
- (v) Crash Scheme for Rural Development (CSRDP)
- (vi) Pilot Intensive Rural Employment Programme (PIREP)
- (vii) Development of Women and Children in Rural Areas (DWCR)
- (viii) Scheme for Providing Self Employment to Educated Unemployed.

No doubt the above various rural development programmes, projects, plans and schemes which the government has launched have brought about some impact. It must be noted that the impact of these programmes has not been uniform throughout India. As far as the programmes are concerned some of these programmes are directly managed by the central government, while some others are sponsored and supported by the state government. In West Bengal, Kanyasri Prakalpa has received international recognition and award of UNO.

Of these various programmes, some have been able to elicit a relatively good response no doubt from the public, while many others fail to obtain the positive support and cooperation of the people. While making an assessment of the impact of rural development programmes, these observations should be borne in our mind.

12.4 Suicide of farmers in India

India is an agrarian country with around 70% of its people depending directly or indirectly upon agriculture. Activists and scholars have offered a number of conflicting reasons for farmer suicides such as high debt burdens, poor government policies, corruption in subsidies, crop failure, public mental health, personal issues & family problems, increased cost of cultivation, private moneylenders, use of chemical fertilizers etc.

Before accounting for the present percentage of suicide, we need briefly to take into account the frustration and suicides since pre-independence period.

It has been noted that historical trends relating to frustration, revolts and high mortality rates among farmers in India particularly cash crop farmers date back to the 19th century.

The high land taxes of the 1870s, payable in cash regardless of the effects of frequent famines on farm output or productivity, combined with colonial protection of usury, money lenders and landowner rights, contributed to widespread penury and frustration among cotton and other farmers, ultimately leading to the Deccan Riots of 1875-1877.

The British government enacted the Deccan Agriculturists Relief Act in 1879, to limit the interest rate charged by money lenders to Deccan cotton farmers, but applied it selectively to areas that served British cotton trading interests.

Rural interest rates, in predominantly agrarian British India, were very high between 1850, and the 1904s. However starvation related deaths far exceeded those by suicide, the latter being officially classified under injuries. The death rate classified under injuries, in 1897 was 79 per 100,000 people in central Provinces of India and 37 per 100,000 people in Bombay Presidency.

National Crime Records Bureau, an office of the Ministry of Home Affairs, Government of India, has been collecting and publishing suicide statistics for India since the 1950s, as annual Accidental Deaths & suicides in India reports. It started separately collecting and publishing farmers suicide statistics from 1995. Recent reports have on record 12,000 farmers committed suicide in Maharashtra between 2015 and 2018.

Reporting in popular press about farmers suicides in India began in the mid 1990s, particularly by Palogummi Sainath. Reddy, in 1993, reviewed high rates of farmer suicides in Andhra Pradesh.

The National crime Records Bureau of India reported that a total 296, 438 Indian farmers had committed suicide since 1995. Of these 60,750 farmer suicides were in the state of Maharashtra since 1995, with the remainder spread out in Odisha, Telangana, Andhra Pradesh, Madhya Pradesh, Gujarat and Chhattisgarh and all states with loose financial and entry regulations.

According to statistical survey the farmers suicide rate in India had ranged between 1.4 and 1.8 per 100,000 total population, over a 10 year period through 2005. However, the figures in 2017 and 2018 showed on average of more than 10 suicides daily.

As reported in the press (11.11.2019) in 2015 total report of farmer's suicide was 12,602 of which the farmers were 8,007 and the field labour was 4,595.

In 2016 the total farmer's suicidal number was 11,379 of which the farmers were 6,270 and the field labour was 5,109. According to this data the number of farmer's suicide per month was 948 and 31 per day. The highest number of suicidal case was in Maharashtra and that is 3,661. The second is Karnataka having 2079 suicidal death and third is Madhya Pradesh having 1,321 suicidal death.

The Maharashtra Government has informed the statistics of farmer's suicidal death from 2015 to 2018 as has risen to 12,021 in Maharashtra as a result of Right to Information, But Maharashtra government has said that this farmer's suicidal death is not merely the farmers becoming insolvent, this farmers suicide may be due to family troubles addiction, mental disorder, and physical illness.

The list of farmers suicides which includes farmers-cultivators and agricultural

laboures points out that seven states account for 87.5% of total suicides in the farming sector in the country. The states are Maharashtra, Karnataka, Telangana, Madhya Pradesh and Tamilnadu.

It has been noted that both marginal and small farmers are committing suicide Maharashtra is the worst affected state. And ironically, Punjab, which benefitted most from the green Revolution, also presents a depressing picture of farmer's suicides in India. Between 1995-2015, 4687 farmer's suicides have been reported from the state of Punjab of which 1334 from one Mansa district alone.

12.5 Reasons behind farmers' suicides in India

India is an agrarian country with around 70% of its people depending directly, or indirectly upon agriculture. But farmers' suicides in India are on the increase.

Inspite of the central and state governments' multi-pronged approach to improving in come and social security for farmers, over 12,000 suicides have been reported in the agricultural sector every year since 2013. Farmer suicides account for approximately 10% of all suicides in India.

Scholars have cited various reasons such as monsoon failure, climate change, high debt burdens, government policies mental health, personal issues and family problems among the reasons for farmers' suicides in India.

Regarding the causes behind suicides of the farmers, no doubt economic condition is the vital factor; yet the other factors or causes are also important. The National Mental Health Association of the USA states that no matter the race or age of the person, how rich or poor they are, it is true that most people who commit suicide have a mental or emotional disorder. Thus it is said suicide is not a all a matter of economics.

This is well supported by the data released by World Health Organisation in 2011; while the suicide rate in India, an agrarian economy, was 13 per 100,000, that of industrialized, rich countries were often higher or comparable for exemple South Korea-28.5, Japan-20.1, Russia 18.2, USA 12.6, Australia 12.5, & UK 11.8.

Inspite of the fact that non-economic factors like alcoholism, bad company, family problems play roles in causing suicide, yet in Indian scenario, the suicides among farmers are largely due to indebtedness and problems regarding agricultural management It is said that Indian agriculture is plagued by several problems. Some of them are natural and some others are manmade We can rote these problems and suggest probable solutions in the following.

(i) Small & fragmented landholdings

The average size of holdings was 2.28 hectares in 1970-71 which was reduced to

1.82 hectares in 1980-81 & 1.50 hectares in 1995-96. The size of the holdings will further decrease with the infinite subdivision of the land holdings.

The problem of small and fragmented holdings is more serious in densely populated and intensively cultivated states like Kerala, West Bengal, Bihar & eastern part of Uttar Pradesh where the average size of land holdings is less than one hectare and in certain parts it is less than even 0.5 hectare.

It is shocking to note that a large proportion of 59 percent holdings in 1990-91 were marginal (below 1 hectare) accounting for 14.9% of the total operated area. Another 19% were small holdings (1-2 hectare) taking up 17.3% of the total operated area.

Large holdings (above 10 hectare) accounted for only 1.6% of total holdings but covered 17.4% of the operated area.

Hence, there is a wide gap between small farmers, medium farmers (peasant group) and big farmers (landlords)

The main reason for this sad state of affairs is our inheritance laws. The land belonging to the father / mother is equally distributed among his/her sons/daughters. This distribution of land does not entail a collection or consolidated one, but its nature is fragmented.

Different tracts have different levels of fertility and are to be distributed accordingly. If there are four tracts which are to be distributed supposed between two sons, both the sons will get smaller plots of each land tract.

In this way the holdings become smaller and more fragmented with each passing generation.

In short, subdivision and fragmentation of the holdings is one of the main causes of our low agricultural productivity and backward state of our agriculture. A lot of time and labour is wasted in moving seeds, manure, implements and cattle from one piece of land to another.

Irrigation becomes difficult on such small and fragmented fields. Further a lot of fertile agricultural land is wasted in providing boundaries.

(2) Seeds : Seed is a critical and basic input for attaining higher crop yields and sustained growth in agriculture production.

Distribution of assured quality seed is as critical as the production of such seeds. Unfortunately, good quality of seeds are out of reach of the majority of farmers, especially small and marginal farmers mainly because of exorbitant prices of better seeds.

(3) Manures, fertilizers and Biocides

Indian soils have been used for growing crops over thousands of years without

caring much for replenishing.

This has led to depletion and exhaustion of soil resulting in their low productivity. This is a serious problem which can be partially solved by using more manures and fertilizers.

It has been estimated that about 70% of growth in agricultural production can be attributed to increased fertilizer application.

However, there are practical difficulties in providing sufficient manures and fertilizers in all parts of a country of India's dimensions as cow dung provides the best manure to the soils.

But its use as such is limited because much of cow dung is used as kitchen fuel in the shape of dung cakes. Reduction in the supply of fire wood and increasing demand for fuel in the rural areas due to increase in population has further complicated the problem.

Chemical fertilizers are costly and are often beyond the reach of the poor farmers. The fertilizer problem is, therefore, both acute and complex.

It has been felt that organic manures are essential for keeping the soil in good health. The country has a potential of 650 million tonnes of rural and 160 lakh tonnes of urban solid waste complex which is not fully utilized at present. The utilization of this potential will solve the problems of disposal of waste and providing manure to the soil.

Pests, germs and weeds cause heavy loss to crops which amounted to about one third of the total field produce at the time of Independence. Biocides (Pesticides, herbicides and weed cides) are used to save the crops and to avoid losses.

No doubt the increased use of these inputs has saved a lot of crops, especially the food crops from unnecessary wastage.

But indiscriminate use of biocides has resulted in widespread environmental pollution which takes its own toll.

4. Irrigation : Although India is the second largest irrigated country of the world after China, only one-third of the cropped area is under irrigation.

Irrigation is the most important agricultural input in a tropical monsoon country like India where rainfall is uncertain, unreliable and erratic India cannot achieve sustained progress in agriculture until and unless more than half of the cropped area is brought under assured irrigation.

No doubt this is testified by the success story of agricultural progress in Punjab, Haryana and western part of Uttar Pradesh where over half of the cropped area is under irrigation.

However, large tracts still await irrigation to boost the agricultural output. However

care must be taken to safeguard against ill effects of over-irrigation especially in areas irrigated by canals.

Large areas in Punjab and Haryana have been rendered useless (areas affected by salinity, alkalinity and water-logging) due to faulty irrigation.

In the Indira Gandhi canal command area also intensive irrigation has led to sharp rise in sub-soil water level, leading to water logging, soil salinity and alkalinity.

5. Lack of mechanisation

In spite of the large scale mechanisation of agriculture in some parts of the country, most of the agricultural operation in large parts are carried on by human hand using simple and conventional tools & implements like wooden plough, sickle etc.

This is specially the case with small and marginal farmers. It results in huge wastage of human labour and in low yields per capita labour force.

There is an urgent need to mechanise the agricultural operations so that wastage of labour force is avoided and farming is made convenient and efficient.

6. Soil erosion : Large tracts of fertile land suffer from soil erosion by wind and water. This area must be properly treated and restored to its original fertility.

7. Agricultural Marketing : Agricultural marketing still continues to be in a bad shape in rural India. In the absence of sound marketing facilities, the farmers have to depend upon local traders and middlemen for the disposal of their farm produce which is sold at throw-away price.

In most cases, these farmers are forced, under socio-economic conditions, to carry on distress sale of their produce. In most of the small villages, the farmers sell their produce to the money lender from whom they usually borrow money.

According to an estimate 85 per cent of wheat and 75 percent of oil seeds in Uttar Pradesh, 90 percent of jute in West Bengal, 70 percent of oil seeds and 35 percent of cotton in Punjab is sold by farmers in the village itself.

Such a situation arises due to the inability of the poor farmers to wait for long after harvesting their crops.

8. Inadequate Storage facilities : Storage facilities in the rural areas are either totally absent or grossly inadequate. Under such conditions the farmers are compelled to sell their produce immediately after the harvest at the prevailing market prices which are bound to be low. Such distress sale deprives the farmers of their legitimate income.

Report estimated the post harvest losses at 9.3% of which nearly 6.6% occurred due to poor storage conditions alone.

9. Inadequate transport : One of the main handicaps with Indian aquiculture is the lack of cheap and efficient means of transportation. Even at present there are

lakhs of villages which are not well connected with main roads or with market centres.

Most roads in the rural areas are kutchra (bullock-cart roads) and become useless in the rainy season. Under these circumstances, the farmers cannot carry their produce to the main market and are forced to sell it in the local market at low price. Linking each village by metalled road is a gigantic task and it needs huge sums of money to complete this task. Even then it would pay in the long run.

10. Scarcity of Capital : Agriculture is an important industry and like all other industries it also requires capital. The role of capital input is becoming more and more important with the advancement of farm technology.

Since the agriculturists' capital is locked up in his lands and stocks, he is obliged to borrow money for stimulating the tempo of agricultural production.

The main suppliers of money to the farmer are the moneylenders, traders and commission agents who charge high rate of interest and purchase the agricultural produce at a very low price.

11. Pernicious Effects of Economic Policy : Economists like Utsa Patnaik, Jayati Ghosh and Prabhat Patnaik suggest that structural changes in the macro-economic policy of Indian Government that favoured privatisation, liberalisation and globalisation are the root cause of farmer suicides.

12. GM Crops : A number of social activist groups and studies proposed a link between expensive genetically modified crops and farmer suicides.

BT cotton (*Bacillus thuringiensis* Cotton) was claimed to be responsible for farmer suicides. The BT cotton seeds cost nearly twice as much as ordinary ones. The higher costs forced many farmers into taking ever larger loans, often from private moneylenders charging exorbitant interest rates (60% a year).

The moneylenders force farmers to sell their cotton to them at a price lower than it fetches in the market.

According to activists and studies, this created a source of debt and economic stress, ultimately leading to suicides among farmers.

13. Misdirection of government subsidies and funds : As per reports by the central government and NCRB, government farming subsidies from 1993 to 2018 mostly went to producers and dealers of seeds and fertilizers, and not to farmers.

In 2017, Rs. 35,000 crores of loans and subsidies were given to entities in the cities of New Delhi and Chandigarh cities that do not have any farmers.

Similarly, in Maharashtra, 60% of government loans and subsidies were given to people and entities residing in Mumbai.

This has resulted in money being circulated between the government banks, large

and small corporations and politicians, without any of it reaching farmers, aggravating their woes.

14. Deadly Drought : Due to poor artificial irrigation facilities, as much as 79.5% of India's farmland relies on flooding during monsoon season, so inadequate rainfall can cause droughts, making crop failure common.

In regions that have experienced droughts, crop yields have declined, and food for cattle has become scarcer. Agricultural regions that have been affected by droughts have subsequently seen their suicide rates increase.

15. Suicide idea : Patel et al found that southern Indian states have ten times higher rates of suicides than some northern states.

This difference they say, is not because of misclassification of a person's death. The most common cause for suicide in south India are a combination of social issues, such as interpersonal and family problems, financial difficulties, and preexisting mental illness.

Suicidal ideation is as culturally accepted in south India as in some high-income countries. The high suicide rates in southern states of India may be, suggest Patel et al, in part because of social acceptance of suicide as a method to deal with difficulties.

16. Debt : Many of the suicides by Indian farmers have been linked to the large amounts of debt and interest that many of these individuals accumulate. According to 2006 study by P. Sainath, the percentage of farmers who were in debt in Andhra Pradesh, Punjab, Karnataka, and Maharashtra was 70%, 65%, 61% and 60% respectively.

17. Maddy's government field Surveys : The government of Maharashtra, concerned about the highest total number of farmer suicides among its rural populations, commissioned its own study into reasons.

At its behest, Indira Gandhi did field research and found the top causes of farmers suicides to be debt, low income and crop failure, family issues such as illness and inability to pay celebration expenses for daughter's marriage, lack of secondary income occupations and lack of value-added opportunities.

12.6.2 Responses to farmers' Suicides

In order to tackle the farmers' indebtedness and farmers suicides the government both at the centre and at the provincial levels have undertaken different steps and measures and we can note them briefly in the following :

(1) Appointment of a number of inquiry Committees : The government appointed a number of inquiries to look into the causes of farmers' suicides and farm related distress in general.

Krishak Ayog (National Farmer Commission) visited all suicide prone farming

regions of India and in 2006 published three reports with its recommendations. Subsequently, former Prime Minister Manmohan Singh promised a package of Rs. 110 billion after visiting Vidarbha. The families of farmers who had committed suicide were also offered an exgratia grant of Rs. 100,000 by the government, though this amount was changed several times.

(2) 2006 relief package : In 2006, the government of India identified 31 districts in the four states of Andhra Pradesh, Maharashtra, Karnataka and Kerala with high relative incidence of farmers' suicides.

A special rehabilitation package was launched to mitigate the distress of these farmers. The package provided debt relief to farmers, improved supply of institutional credit, improved irrigation facilities, employed experts and social service personnel to provide farming support services and introduced subsidiary income opportunities through horticulture, livestock, dairy and fisheries.

The government of India also announced an ex-gratia cash assistance from Prime Minister's National Relief Fund to the farmers.

Additionally, among other things the government of India announced relief as follows :

(i) In the Vidarbha region of Maharashtra all farmer families of Vidarbha in six affected districts of Maharashtra were given a cash sum of Rs. 0.5 million each, to help pay off the debt principal.

(ii) Re 7.12 billion in interest as of 30 June, 2006, was waived. The burden of payment was shared equally between the central and the state government.

(iii) The government created a special credit vehicle for Vidarbha farmer, to the tune of Rs. 12.75 billion. Special teams comprising NABARD and banks were deputed to ensure fresh credit starts flowing to all farmers of the region.

(iv) An allocation of Rs 21.77 billion was made to improve the irrigation infrastructure so that the farmers of Vidarbha region had assured irrigation facilities in the future.

(3) Agricultural debt waiver and debt relief scheme : The government of India implemented the agricultural debt Waiver and Debt Relief Scheme in 2008 to benefit over 36 million farmers at a cost of Rs. 653 billion.

This spending was aimed at writing off part of loan principal as well as the interest owed by the farmers. Direct agricultural loan by stressed farmers under so-called 'Kisan credit card' were also to be covered under this scheme.

(4) Regional Initiatives : Various state governments in India have launched their own initiatives to help prevent farmer suicides. The government of Maharashtra set up a dedicated group to deal with farm distress in 206 villages known as the Vasant

Naik Sheti Swavalamban Mission, based in Amravati.

(5) Maharashtra Bill to regulate farmer loan terms, 2008 : The state government of Maharashtra implemented, Farmers Debt Relief Commission Act, 2006 to extend benefits to all distressed farmers with loans through 2011.

(7) 2013 Diversity income sources package : In 2013, the government of India launched a special Livestock Sector and Fisheries Package for farmers suicide prone regions of Andhra Pradesh, Maharashtra, Karnataka and Kerala. The Package was aimed to diversify income sources of farmers. The total welfare package consisted of Rs 812 million. A group to study the farmers Suicides was also constituted by the government of Karnataka under the chairmanship of Dr. Veeresh, former Vice-Chancellor of Agricultural University and Prof. Deshpande as member.

12.6 Conclusion

Regarding the effectiveness of government response, Surinder Sud has observed that the government's response and relief packages have generally been ineffective, misdirected and flawed. It has focused on credit and loan, rather than income, productivity and farmer initiative.

Assistance in paying off outstanding principal and interest helps the money lenders, but has failed to create reliable and good sources of income for the farmer going forward.

The usurious moneylenders continue to offer loans at interest rates between 24% and 50% while income generating potential of the land, the farmer works on has remained low and subject to weather conditions.

Surinder Sud states that the government has failed to understand that debt relief just postpones the problem and fails to give a more lasting answer to farmer distress. The solution can only come from reliable income sources, higher crop yields per hectare, irrigation and other infrastructure security.

Golait, in a Reserve Bank of India paper, acknowledged the positive role of crop diversification initiative announced in government's response to reports of farmer suicides.

Golait added, Indian agriculture suffers from : (i) poor productivity, (ii) falling water levels, (iii) expensive credit, (iv) a distorted market, (v) many middlemen and intermediaries who increase cost but do not add much value, (vi) laws that stifle private investment, (vii) controlled prices, (viii) poor infrastructure and (ix) inappropriate research. Thus the approach with mere emphasis on credit in isolation from the above factors will not help agriculture.

Golait, furthermore, recommended a more pro-active role in creating and maintaining reliable irrigation and other agriculture infrastructure is necessary to address farmer distress in India.

In order to avoid indebtedness of the farmers and their suicide, positive steps are to be taken from different perspectives such as-

(a) In order to tackle the vagaries of nature, location-specific policy for irrigation with the identification of suitability of irrigation facilities is to be adopted to protect farmers from the adverse impacts of climate change. It must be supplemented with timely completion of canal irrigation projects and timely advice on the weather.

More investment is needed in agricultural Research & Development in order to develop more drought and pest-resistant crops, along with better irrigation technology.

(b) Technological interventions that update farmers about sowing and harvesting time and extension services can help prevent misfortunes.

Implementation of interlinking of rivers will help solve the water crisis in agriculture. But it needs to be implemented carefully as it has ecological costs as well.

Crop diversification should be implemented to reduce crop failure rates across the country.

Zero Budget Natural farming can be implemented which involves applications of nature's principles in farming. It is the practice of no chemical use in farming.

(c) It has been suggested that long term leasing of farmland without withdrawing the land ownership can be implemented. This is in line with — Aayog's model of land leasing act i.e. no change in ownership, no tenancy rights and the land reverts back to the owner on the expiry of the lease.

It has been suggested that to avoid problems of fragmentation of land in the case of farming, collective or cooperative farming retaining individual ownership can be adopted. The owners of land would pay the farming cost to the collective or cooperative farming authority. Panchayat can take measures to implement this collective farming.

Alternately it has been suggested that keeping the individual ownership long term leasing can also facilitate the entry of the private sector into agriculture. The private sector can bring in crop diversification, the introduction of high-value crops, mechanization, new farming techniques and technologies, investment in post-harvest management and processing and more employment opportunities.

(d) The government policies should encourage integrated pest management that combines biological, chemical, mechanical and physical means to combat pests with a target to eliminate or considerably reduce the need for pesticides.

In short, cooperative farming on a national scale should be implemented to reduce input costs.

(e) Village-wise lists of deeply indebted farmers must be prepared annually to identify farmers on the path to potential suicide.

NABARD, along with local administration should come up with local policy intervention and also devise timely loan restricting initiatives, insurance claim settlements and better counseling.

Nationalised banks need to change their way of functioning in order to expand rural outreach.

(f) The long chain of intermediaries between the farm and the consumer should be reduced if not eliminated as they negatively impact farmers income.

Efforts are to be seriously made to purchase agricultural product from the farmers directly at reasonable rates by the governmental organization or through public private ownership so that the middlemen cannot exploit the farmers and enhance the prices of goods arbitrarily. Coldstorage facilities and its proper utilization to be done so that all associated with farming, prices of goods and the interests of consumers are reasonably protected.

(g) Rural job opportunities are to be created and expanded to boost farmers income. The marginal farmers would be engaged in different spheres of farming under the collective farming or public-private partnership scheme of farming.

At the same time, lucrative allied activities of agriculture such as horticulture and floriculture are to be promoted so that it helps boost incomes through the small scale cottage industries.

12.7 Summary

Every effort is to be made so that the farmers are not required to take loans which become beyond their capacity to repay. The banks must not waive the loan and the government must see that the farmers pay back the loans. Obviously interest to the needy farmers should be as low as possible to the small debt amount. In recent times we have seen that the central government under different political authorities have waived huge amount of debt by the farmers. Even the political leaders announce on the eve of election that if they come into power they would waive the loan of the farmer up to several lakhs each. This is not proper. No government can waste the public money for narrow political gains. An impression has been nurtured among the farmers that their debts many not have to be paid ultimately. This atmosphere must be

stopped for the general interests of the country and also for the true interest of its farmers.

12.8 Questions

1. Discuss the nature and characteristics of scientific Socialism.
2. Discuss the causes of the indebtedness of the farmers in India and how it can be overcome.
3. Discuss the causes of the suicides of the farmers and how it can be avoided.
4. Discuss the nature and characteristics of democratic socialism in the globalization era.

12.9 References

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UNIT-13 : Production Debate

Structure of the Unit :

- 13.0 Learning Objectives
- 13.1 Introduction
- 13.2 Classification of production
 - 13.2.1 Relation between production and relations of production
- 13.3 Modes of production and theory of superstructure/forces
- 13.4 Modes of production and concept of class
- 13.5 Other views on production debate
 - 13.5.1 Views on Marx's Alienation concept
 - 13.5.2 Counter reply on production dialectics
 - 13.5.3 Alternative views on production debate
- 13.6 Conflict between production force and production relation
 - 13.6.1 Debate on production relation in different economic structures
- 13.7 Capitalist mode of production
- 13.8 Conclusion
- 13.9 Summary
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13.0 Learning Objectives

To understand the following

- The basic debate and dialectics of production.
- The mode of production and theory of superstructure.
- The outcomes of the production debate.

13.1 Introduction

The relevant aspects to be learnt from this unit are the basic debate and dialectics

of production. In India and other capitalist societies, the nature of production lies in the pungent reality of conflicting two classes. Moreover, it can be said that the production phenomena is composed of forces and relations of production. Productive forces generally include productive machinery, industrial and other infrastructural technical knowledge. Another important point to be learnt is mode of production and theory of superstructure. Marx consciously mentioned the idea of modes of production as a tool to explain the economic system. According to Marx, historical materialism also follows the track of dialectics which may also be a corollary of dialectical materialism. Another aspect to be learnt is staunch reality like Alienation. Production process in a class-divided society, must, at a certain point of time, will generate the problem of alienation among the labourers. This alienation spreads over to product, family and society besides them. The problems of labour and society as such are the outcome of the production debate.

Production is a very old and composite term with its varied meanings. The meaning goes invariably with heterogenous elements. It was and still is the basic condition for the sustenance of our society. Precisely, production may be described as the transformation of resources which include time an effort, into goods and services. Resources are understood always to be scarce to provide for all wants and needs. There is an emphasis on the efficiency of production or productivity - similarly, the costs of choosing certain goods and services are not measured by the money spent on them, but by the opportunity cost of the alternative available resources. The history of mode of production has a long record which at times surfaces different features. The features changed from age to age in accordance of the elements of the then society. The mode of production is a central concept in Marxism and defined as the way a society is organised to produce goods and services.

13.2 Classification of Production

Mode of production in a theoretical point of view can be classified in four types according to Marxian thought. (A) Asiatic, (b), Slavery, (c) feudalism, and (d) capitalism. Of these, different stages of society also invariably cannot be related features of production. In this way, we can specify any particular mode of production is the result of the distinctive articulation of a system that involves relations of production and forces of production. The relations of production connote specific relations predicated on the mode of appropriation of surplus labour and a specified institutionalised practice concerned with the distribution of means of production. Social relations are primarily defined in terms of social classes which form the basis of the structural system that regulates human relationships. Moreover, these relations become codified by law, and in are general times legitimised by ideology. Forces of

production define the labour process itself where raw materials are transformed into determinate products. It can be said that forces of production include raw materials that personal activity of people (labour) and the instruments used to transfer raw materials into products of particular type. Assessing the level of development of the forces of production is the nature of the technologies, machinery and scientific advances - deployed in the productive process.

13.2.1 Relation Between Production and Relations of Production

Now on the basis of earlier discussion, we can say reasonably that the forces of production and relations of production came from the economy base of the particular mode of production. It also results in a vertical superstructure, one of the enduring problems in deciphering Marx's understanding of the relationship between economic base and the superstructure has been acknowledged Karl Marx here relates mode of production with his theory of historical materialism. Mode of production to Marx is the way of producing a specific combination of the following.

A) The productive forces: these include human labour power and means of production - tools like land labour and capital, infrastructure, technical knowledge materials, plants animals and exportable land.

B) The social and technical relations of production include property, power, government and society's productive assets; Marx regarded productive ability and participation in social relation as to essential characteristics of social production and Particular modality of these relations in capitalist production are inherently in conflict with the increasing development of production capacities.

13.3 Modes of production and theory of superstructure/forces

The forces of production and relations of production together constitute the structural base of the particular mode of production. Political ideas, culture, land and other aspects are formed as its superstructure. At times he lends credits to both those who positively debate history of economic determinism and those who critically accuse it. These internal contradictions are reflected in the development of western Marxism. But here are some points of difference have been opened by Antonio Gramsci (1891 - 1937), George Lukes (1885 - 1971) and members of the Frankfurt school give importance to cultures. Marx devoted considerably more attention throughout his work to economic base and comparatively less attention to the superstructure which accounts in part for the comparative difficulty in understanding of the relationship between culture and superstructure. In spite of this dispute between the two viewpoints, Louis Althusser allows a lot of autonomy to superstructure, and lastly economic factors are mostly terminated in perpetuating any particular mode of

production to rise and to the rise of a new mode of production.

13.4 Modes of production and the concept of class

Marx use the concept of mode of production as a tool to explain the economic system of a country. Class is a result of the nature and type of production, work et cetera. To say more clearly, in any society or state, class is gradually formed on the nature of production, workplace, type of works. Marx simply wanted to mean that the productive forces, and its allied aspects create class. Examples are like working-class, owning class. Working-class sells their labour and are paid wages for it. Owners of the factories, production units are a different class in their lifestyle, economic capacity et cetera. The thought pattern and psychological mode dictate there differences between the two classes. The workers gradually become alienated from their work, product, family and life.

13.5 Other views on production debate

13.5.1 Views on Marx's Alienation concept

Marxist interpretation on production reality and alienation concept has been supplemented with a different note by later sociologists and psychologists. They have not altogether divided or negated the logical substance of the concept. But some of them have tried to divide the structural features. In the American Sociological Review, issues like powerlessness, isolation and self-estrangement were raised. Robert Bla semer attempted to link the dimension of alienation to a particular type of work situation. It means that it can be thought in the early stage of society dominated by craft industry. Moreover it has been found that the alienation rises to peak point in time of technology of the 20th century. The rigidity of production relation can be diluted to an extent by means of collective ownership and control.

13.5.2 Counter reply on production dialectics

Opposition or criticism of production debate and related aspects of alienation has been strongly answered by not only by Marx, it has also been logically founded by some eminent sociologists. The production debate can be narrated it in a simple way. There is no scope of doubt that on the case of workers production, the profit of owning class increases. Capital accumulated in this way also goes up. But at the same time, the plight of workers became horrible. The labour class as such become more endangered and that certain point of time cannot identify with their own products. Baltimore, noted sociologist in his book, says Karl Marx stated in his early writings that the object produced by labour practically stands opposed to it and the labour

becomes disassociated or alien to his product.

13.5.3 Alternative views on production debate

Among different issues on production debate, the point to be noted that there is a scope of interdependence between production and production relation. Production relation takes its nature or form on the stage of production force. Again production force and the means of production determines the production relation. Basically, in another angle, we can see that production forces are much more important in a total social system. Production is the most powerful dynamic factor. Production force also shapes the production system.

13.6 Conflict between production force and production relation

The production debate phenomena should include another important issue. The issue is concerned with the natural conflict between production force and production relation. It has been argued with proper logic that production forces generally change and develop. The change of mobility may be slow and sometimes the shifts may be fast. But the basic reality is that a new kind of production relation becomes inevitable in accordance with position of changed production force and production system. But according to the Marxian angle of production debate, the interest of present dominating class has a patchwork with the earlier system of production relation.

13.6.1 Debate on production relation in different economic structures

The above discussion on the relation between production for production relation opens another area of discourse. This is the type of society based on economy structure. Production relation is nothing but the reality of two classes - the owning class and the workers, labourers who sell their labour for sustenance. In feudal society or economy, the two classes are peasants and owning classes. The production debate takes its shape on the basis of conflicting interests between landlords (zamindars) and peasants. In capitalist economy, this conflict changes centering the nature of owners and workers. The capitalists on one side and the workers, on the other side. The relation is totally based on exploitation, imposition and deprivation.

13.7 Capitalist mode of production

The capitalist mode of production is characterised by private ownership of the means of production, extraction of surplus value by the owning class for the purpose of capital accumulation, wage based labour, and as far as commodities are concerned, being market based. In Karl Marx's critique of political economy, there is much explanation on capitalist mode of production.

13.8 Conclusion

Production relation and production force has been most meaningfully discussed with the application of dialectics by Karl Marx in the middle of 19 century in his celebrated Communist Manifesto. But there is another state of opinion or ideology which tries to interpret production reality. This angle do not subscribe to the Marxian way of interpretation. This ideology advocates a compromise between the two opposite classes. The school of thought explains that owners of production units do not always dominate. They also try to advocate that with a cooperative and collaborative efforts, a more healthy relation can be developed. According to this thinking, conflict between the two classes is not inevitable.

Production debate in modern society with so many changes seems not to be so much relevant to the technology. Workers and orientation have undergone a transformation and the traditional dialectical interpretation is no longer attached to the meaning of workers. Class, profit, and owners have also changed. This of course does not mean reality between the owners and workers has changed its character in the globalized world. The production debate now has some new features which deserve a modern approach. The socio-economic factors, the social realities, and some subjective cultural and local factors also need to be taken into consideration in the discourse of production debate. A serious approach can be added to the sociological study of the production debate. As a result, newer features and elements may be added which may usher new thoughts in the production debate.

13.9 Summary

Production is an old and common phenomena in all sorts of society. But the nature or character of production process varies from society to society. In a society like India, the economic system is based on class-division. The two opposite and contradictory classes are the owners of production unit and the labourers or workers who are selling their labour. The means of production also are controlled by the owners of production. The entrepreneurs, owners, generally or intentionally do injustice in paying the wages to the labourers. They cut from what ought to be paid - this difference has been defined by Karl Marx as exploitation or surplus value. According to Marx, surplus value is equal to the new value created by workers in excess of their own labour cost which is appropriated by the owners of production. The abridged part of this unit is on the basis of the dynamic system. Aspects of the society like culture, literature, laws are the 'superstructure'. These aspects in the long run, directly or indirectly effect service leaders of the dominating economic class. The state also works as an instrument of exploitation. The character of production phenomena is

that of the labour's fight against the owning class. Alienation is an inevitable result of the mode of production. But some sociologists of the US and others have tried to dilute this process of alienation among the workers. But the nature and features of production debate in a modern high-tech society along with the globalised economic system has acquired some new aspects which Marx could not foresee during his day. But whatever it may be, the basic conflict and the class struggle based on the production debate have not changed. Only the new perspectives of industry and technology have come up. With basic characteristics of the debate with production and production relation are still continuing with its earlier features.

13.10 Questions

1. What is meant by the term production?
2. What do you mean by production relation?
3. What are the forces of production?
4. Write three lines on the relation between means of production and forces of production.
5. Explain in short - sources of production debate.
6. What do you mean by the term - capitalist mode of production?
7. What is the meaning of 'superstructure' according to Karl Marx.
8. What do you understand by the following term - Marx's 'Alienation'?
9. How does the process of Alienation works?
10. Mention other views on the production debate.
11. Mention in short - a different view on Marxist concept of Alienation.
12. Write the nature of production relation and production debate in a different economic structure.

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13.13 Glossary

Production- It is a very old and delicate terminology with varied meanings. The meanings grow inevitably with heterogenous elements. It was and is still the basic phenomena for the sustenance of our society. Precisely, production may be described as the transformation of resources which include time and effort into goods and services.

Classification of Production- Modes of production in a theoretical point of view can be classified in four types according to Marxian thought. (A) Asiatic, (b), Slavery, (c) feudalism, and (d) capitalism. Mode of production specific societal relations that is predicated on the mode of appropriation of suitable labour and institutionalised structure concerned with the distribution of the means of production.

Forces of Production and Relation of Production -We can reasonably say that the forces of production and relations of production in combination form the economic structure of a particular mode of production. Political and ideological apparatus shapes its superstructure. A mode of production, according to Marx is the way of producing in a combination of the following productive forces including human appeal.

Capitalist mode of Production -The basic characteristics of capitalist mode of production presupposes to opposite classes. One is the owners of production and the second is the labour class who sells their labour for wages. The reality of production relation is more exploitative than earlier feudal societies. According to dialectics of production law, the capitalist owners have a habit of giving less wages to the labourers. The difference between the just wages and paid wage termed as surplus value. This is the economic meaning of the term 'exploitation'.

UNIT–14 : Development and Underdevelopment: Rostow, Frank and Wallerstein

Structure of the Unit :

- 14.0 Learning Objectives.
- 14.1 Introduction
- 14.2 Development : The Idea
 - 14.2.1. Development in the traditional sense
 - 14.2.2. Development from economic growth to happiness
 - 14.2.3. Human Development Index
 - 14.2.4. Millennium Development Goals and 2030 Agenda for Sustainable Development
 - 14.2.5. World Happiness Index
- 14.3 Theories addressing development/underdevelopment question
 - 14.3.1. Modernization theory and Walt.W Rostow
 - 14.3.2. Dependency theory and Andre Gunder Frank
 - 14.3.3. World Systems Theory and Immanuel Wallerstein
- 14.4 Conclusion
- 14.5 Summary
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14.0 Learning objectives

- To learn what the basic concept of development is
- To understand the expansion of the meaning of the concept of development from economic growth to happiness
 - To develop an acquaintance with three theories to understand development , its causes and probable remedies
 - To understand the trajectory of a society's movement from moving from traditional to modern, from backward to advanced, from undeveloped to developed with W.W Rostow's Modernization Theory.

- To understand the relationship between underdevelopment of peripheral areas and development of the core areas of the world following Andre Gunder Frank's Dependency Theory and
- To get acquainted with the interconnected world economic system and the inter-relationships that define it resulting in uneven development trajectories around the world following Emmanuel Wallerstein's World Systems Theory

14.1 Introduction

As each and every day dawns in different parts of the world, people wake up to grossly different circumstances. People in some parts of the world are fortunate enough to have a decent lifestyle with all the amenities required for a healthy life while there are others in other parts struggling even make both meet ends meet on a daily basis. The nature of circumstances indicates, in a general sense, different levels of development underdevelopment.

14.2 Development : The Idea

Before we delve into what development means, we have to keep one important aspect of social science concepts in life. Concepts are essentially contested. They have different meanings associated with different theorists and practitioners over time. This applies to 'development' as well. Development can mean different things to different people. Development simply put means making a better life for everyone- better life for an ordinary person would mean sufficient food, good health, safe and healthy place to live, affordable services etc. The goal of a better life is a universally accepted one but there are broad disagreements on what constitutes better life and primarily on how to get there.

Hence we have to keep in mind that all concepts of development necessarily reflect a particular set of social and political values. Development can be conceived only within an ideological framework.

14.2.1 Development in the traditional sense :

In strictly economic terms, development has traditionally meant achieving sustained rate of growth of per capita income to enable a nation expand its output at a rate faster than the growth rate of its population. Equated with economic growth it meant achieving a more massive economy - producing more goods and services on one side of the national account (Gross Domestic Product) and larger total income on the other (Gross National Income). In this sense, economic development involved for instance planned alteration in the production structure and employment leading to decline in agricultural sector and increase in manufacturing and service, rapid industrialization strategies.

Development was seen entirely as an economic phenomenon in which national income growth will trickle down eventually to the masses raising living standards. (Todaro and Smith 2012: 14)

Terms at a glance

Gross National Income- simply put it is the measurement of a country's income which includes all the incomes earned by a country's residents and businesses including incomes earned abroad.

Gross National Product- the total final output of goods and services produced by the country's economy within the country's territory by residents and non - residents.

Income per capita-total gross national income of a country divided by the total population

Over time this traditional view of development came under scrutiny when even after achieving growth targets level of living of masses of majority of people especially in developing countries remained unchanged. There was widespread absolute poverty, inequitable income distribution, rising unemployment. A chronic state of underdevelopment seemed to persist and it was not merely economical.

14.2.2 Development : from economic growth to happiness

As it evolved over time, development objectives moved out of its obsession with economic growth to encompass the following-

- Increase availability and widen distribution of basic life sustaining goods like food, shelter, health and protection
- To raise levels of living - in addition to higher income the provision of more jobs, better education and greater attention to cultural and human values i.e not just material well- being but also self esteem
- To expand the range of economic and social choices available to individuals and nations and freedom from forces of ignorance and human misery.

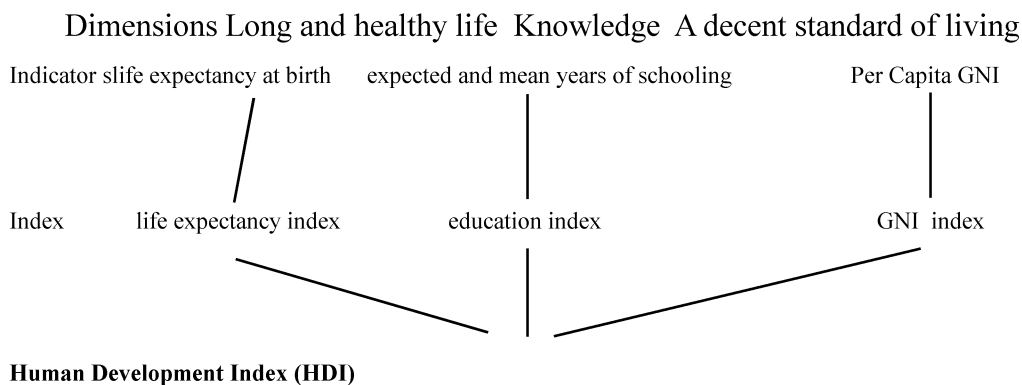
Hence the three core values of development stands expanded to include sustenance, emancipation from wants and needs, self-esteem, freedom of choice. (Todaro and Smith 2012: 21-23). Special mention may be made in this context Amartya Sen's capability approach to development as outlined in his work Development as Freedom (2000). Very simply put, his concern with development was with how society grants individuals the capacity of taking part in creating their own livelihoods and governing their own affairs.

To understand the expanded idea better, let us look at certain goals and development

measurement standards that developed over time like the Millennium Development Goals, Human Development Index and World Happiness Index.

14.2.3 Human Development Index

Brainchild of Pakistani economist Mahbub- ul- Haq, the HDI emphasized that people and their capabilities should be the criteria for assessing development and not economic growth alone. It is a composite index of life expectancy, education and per capita income. The following figure will show this index at a glance (Human Development Reports, United Nations Development Programme, UNDP, <http://hdr.undp.org>) :



14.2.4 Millennium Development Goals and 2030 Agenda for Sustainable Development :

The United Nations Millennium Declaration, signed in September 2000 commits world leaders to combat poverty, hunger, disease, illiteracy, environmental degradation, and discrimination against women and had set a target of moving closer to the goals by 2015. The MDGs are derived from this Declaration, and all have specific targets and indicators.

The Eight Millennium Development Goals are:

- to eradicate extreme poverty and hunger;
- to achieve universal primary education;
- to promote gender equality and empower women;
- to reduce child mortality;
- to improve maternal health;
- to combat HIV/AIDS, malaria, and other diseases;
- to ensure environmental sustainability; and
- to develop a global partnership for development.

With the MDG time period coming to an end, the United Nations has taken up the 2030 Agenda for Sustainable Development. The Sustainable Development goals to be achieved by 2030 set by the UN General Assembly are as follows:

- No poverty
- Zero Hunger
- Good Health and Well-being
- Quality education
- Gender Equality
- Clean Water and sanitation
- Affordable and clean energy
- Decent work and Economic growth
- Industry, innovation and infrastructure
- Reducing inequality
- Sustainable cities and communities
- Responsible consumption and production
- Climate action
- Life below water
- Life on land
- Peace, justice and strong institutions
- Partnerships for the goals

14.2.5 World Happiness Index

In July 2011, the UN General Assembly adopted resolution 65/309 Happiness: Towards a Holistic Definition of Development inviting member countries to measure the happiness of their people and to use the data to help guide public policy. On April 2, 2012, this was followed by the first UN High Level Meeting called Wellbeing and Happiness: Defining a New Economic Paradigm, which was chaired by UN Secretary General Ban Ki-moon and Prime Minister Jigme Thinley of Bhutan, a nation that adopted gross national happiness instead of gross domestic product as their main development indicator.

The various parameters of perceiving public happiness are as follows:

- GDP per capita
- Social support
- Healthy life expectancy
- Freedom to make life choices

- Generosity
- Perceptions of corruption

The main thrust of the aforesaid discussion was to help you understand how the concept of development itself has evolved over time. As we move towards the next section, we have already understood that development can be viewed from a number of perspectives. The basic agreement has been that development means better life and is a multidimensional concept which is not just economics.

Things to do:

Check the website of the United Nations <https://www.un.org> and other related websites like <https://worldhappiness.report>, www.hdr.undp.org, <https://www.undp.org>>mdg_goals, <https://unstats.un.org> to learn in details about these goals and indices. Do not forget to check country profiles to know the rank and performance of your country in each of them.

14.3 Theories addressing development / underdevelopment questions

The theories and the theorists that we will study in this section will deal with the following questions and will provide widely polarized views and policy prescriptions;

- Why are poor nations poor?
- What nations should do to become more developed?

The theories that we will deal with will fall in the following two categories :

- Conventional (Modernization approach of Walt W Rostow)
- Non-conventional-critical (Dependency theory-Andre Gunder Frank and World Systems Theory-Immanuel Wallerstein)

14.3.1 Modernization Theory and Walt W. Rostow

For modernization theorists poorer nations are poor because they lack adequate capital, technology and modern social organization. They explore the process of development and offer an idea of what it means to be 'modern'. In the scheme of modernization theories societies go from traditional /undeveloped stage to modern/developed stage.

Walt W Rostow's work "The Stages of Economic Growth: A Non-Communist Manifesto" is based on a 1958 series of lectures in which he expresses that all nations pass through five stages of economic development. The five stages are as follows (Rostow 1960 as reproduced in Roberts, Hite and Chorev: 52-57) :

- **The Traditional Society :** such society is the one where there are limited production functions, has pre-Newtonian level science and technology and displays a spiritual attitude to the physical world. Simply put technical innovations and production output per head are limited and modern science and technology is unavailable i.e. such societies are untouched by man's capability to manipulate his environment for economic advantage. In such societies high proportion of resources goes to agriculture. Also there is a hierarchical social structure with very narrow window for vertical mobility. In social organization family and clan connections are very important in such structures. Political power in such societies is concentrated in regional landed interests. Examples of dynastic china and civilizations of Middle East as well as medieval Europe reflect this societal structure as per Rostow.
- **Preconditions for Take-off :** in this stage the realization dawns that economic progress is possible, desirable and necessary. Insights of modern science and technology begins to be applied to production functions in this stage. There is spread of education in this stage with new types of enterprising men coming forward. Mobilization of savings take place with financial institutions developing. Investment in transport and communication begin widening the scope of internal and external commerce. Modern manufacturing strikes root. In the political sphere a the concept of new centralized national state takes root in this stage. The elements of traditional society persist in this stage to be overcome in the next one. Rostow cites Britain and Western Europe of late 17th and 18th centuries as they move out of the dark middle ages as an example of this stage.
- **Take-off :** In this stage the old blocks and resistance to steady growth are overcome. Technological development in agriculture and industry develop at an accelerated pace. Commercialization of agriculture begins with use of new methods and revolutionary change in agricultural productivity. New industries expand rapidly with which rises the requirement for factory workers and hence urban areas. New class of entrepreneurs emerges and there is an enlarged flow of investment in private sector. Substantial social overhead capital tends to build up. During takeoff the rate of effective interest and savings may tend to rise from 5% of national income to 10% or more. In this stage the political power centre prioritizes modernization of the economy as high order political business.
- **Drive to Maturity :** in this stage the sustained but fluctuating process of progress becomes a regular one where modern technology spreads over the whole front of economic activity. In this stage 10% to 20% of national income is steadily invested. The production output outstrips increase in population. The goods that were formerly imported from outside are now produced at home. New import requirements develop with changing consumption patterns and new export com-

modities also develop. Technologically more complex processes like from coal, iron and heavy engineering to machine tools, chemicals and electrical equipment begin to be produced. The country in this stage finds a place in the international economy. At the societal level balancing the new against older values and institutions take place and latter tends to be revised in a way to support rather than retard growth process. By this stage the economy reaches that level of maturity that it has both technological and entrepreneurial skills to produce anything it chooses to produce.

- **The Age of High Mass Consumption** : in this stage the leading sector shifts to durable consumer goods and services. In this stage real income per head expands in a way where people develop the capacity to expand consumption beyond basic food, clothing and shelter. The structure of work force changes because of priority of service sector. The proportion of population in offices and skilled factory job increases. The proportion of urban population to the total population increases. With the coming in of the concept of welfare state diffusion of service on a mass basis comes in. as an example Rostow cites Henry Ford's moving assembly line of 1913 -1914 and hence cheap mass automobile production as the turning point for United States of America facilitating entry to this stage of economic growth.

For Rostow these are the universal stages of growth for all societies moving from traditional to modern, from backward to advanced, from undeveloped to developed. Rostow's modernization theory came under immense criticism for its universalization of a particular process of economic growth as a solution to underdevelopment. Not all backward societies are the same and each has its own specific histories. For this approach the causes of underdevelopment lay in the country's internal factors and that undeveloped ones should follow the lead of the developed world in bringing about their development. The biggest critique came from the dependency school of theorists that we will take up in the next unit.

14.3.2 Dependency theory and Andre Gunder Frank

Modernization approach came under scathing attack from a group of scholars and planners in Latin America and Africa. These theorists will seek to locate the cause of underdevelopment not to a country's internal factors but to international colonial and neo-colonial relationships. The basic theme of this school is that European and US development rested on the active underdevelopment of the non-European world. The earliest ideas came from a group of economists working in Santiago, Chile in the Economic Commission for Latin America (ECLA), a UN agency that analyzed how development can be achieved in the region. It was under Raul Prebisch's leadership this approach emerged har because of colonial and neo-colonial relationships European

powers subordinated the Third World which turned out to be a source of cheap raw materials and market for expensive manufactures leading to declining terms of trade and underdevelopment. Apart from Prebisch other theorists of dependency school include Paul Baran, Fernando Henrique Cardoso, Enzo Falletto, Dos Santos and Andre Gunder Frank to name the prominent ones.

Frank was the first major theorist in English and was responsible for popularizing this theoretical framework with his work *The Development of Underdevelopment* (1969). Dependency approach classifies the world regions as falling either in the "core" or in the "periphery". The cause of underdevelopment in the periphery is considered to be directly due to its capitalist relationship with the developed core. Underdevelopment is not in any way traditional as modernization theory states nor is the past/present of undeveloped countries a direct reflection of the past/present of the developed countries (Frank 1969 as reproduced in Roberts, Hite and Chorev 2015: 106). Underdevelopment of a country was not due to its own economic, political, social and cultural structures and the way to develop such a country was not to distribute and spread capital, structure, system, values from the developed capitalist hub/metropole to replace those in the underdeveloped countries. Under development in the periphery is the direct result of development at the centre.

Frank focused on the metropole- satellite or centre- periphery relations he found typical of Latin America. The underdevelopment of Latin America is the result of its century's long participation in world capitalist development. The regions which are the most underdeveloped had the closest ties with the metropolis. These regions were the greatest exporters of primary products to and the biggest sources of capital for the world metropolis and were later abandoned when business fell off. He cites examples of sugar exporting West Indies, mining districts of Peru, Bolivia and central Mexican states which were world famous for silver. (Frank 1969 as reproduced in Roberts, Hite and Chorev 2015: 108). He used case studies from Chile and Brazil to establish his point. He talks about how Brazil since the beginning of 16th century converted into an export economy. During the so called golden age of export generated growth, there was development but such satellite development as proven by history is not self-generating or self-perpetuating (Frank 1969 as reproduced in Roberts, Hite and Chorev 2015: 108). With decline in market and productivity these regions were left to suffer. All those areas which served as the life blood of the capitalist development process are those which are gripped in chronic underdevelopment.

The next point in Frank's theory is that the satellite countries/regions experience their greatest economic development when their ties with the metropolis are the weakest. In this context he cites periods of crisis, war or depression in the metropolis. According to him, industrial development in Argentina, Brazil, Mexico and Chile has

taken place in the period between two world wars and the intervening depression. This period saw loosening of trade and investment ties during this period. Manufacturing grew to the extent that Chile even became an exporter of manufactured goods (Frank 1969 as reproduced in Roberts, Hite and Chorev 2015:110). Once the ties were reestablished the process got reversed.

Also countries/regions which were relatively isolated geographically from the metropolis intervention remained better off as long as their isolation persisted and were not integrated in the world capitalist system.

Dependency theory attempted to place a country into the larger global system. It stressed on external causes of underdevelopment than internal ones. Frank argued that underdevelopment is not a phase but a permanent inescapable condition that can be remedied only by escaping the entire capitalist system. (Roberts, Hite and Chorev 2015 : 100)

14.3.3 World Systems Theory and Immanuel Wallerstein

World systems theory takes up an international viewpoint in understanding development and uses terminology similar to the core-periphery idea of the dependency theorists. Immanuel Wallerstein, an American sociologist and economic historian, espoused this theory in his work *The Modern World System* that appeared in 4 volumes between 1974 and 2011. For Wallenstein, global history has been marked repetition by the rise and demise of a series of world systems. By system he meant a geographical entity with a single division of labour so that all sectors or areas are dependent on others via interchanges of essential goods. The modern world system i.e. the capitalist world economy emerged in Europe at around the turn of the sixteenth century created and run by principles of capitalism. The system runs totally on the basis of production and sale in the market and associated profits. Pursuit of profit drives this system and power in this system rests with private owners of means of production and to the market. All these driving forces and power are located in certain countries at one period of time which form the core of that system.

To use his words, world economy is a large geographic zone (currently global) within which there is a division of labour and hence significant internal exchange of basic or essential goods as well as flow of capital and labor. There are many political units, cultures and groups practicing many religions speaking many languages and differing in everyday patterns. (Wallerstein 2004 as reproduced in Lechner and Boli 2015: 56)

It is a country's position in this division of labour, ownership of means of production, nature of flow of goods and capital that tend to determine its location in the three tier structure discussed below.

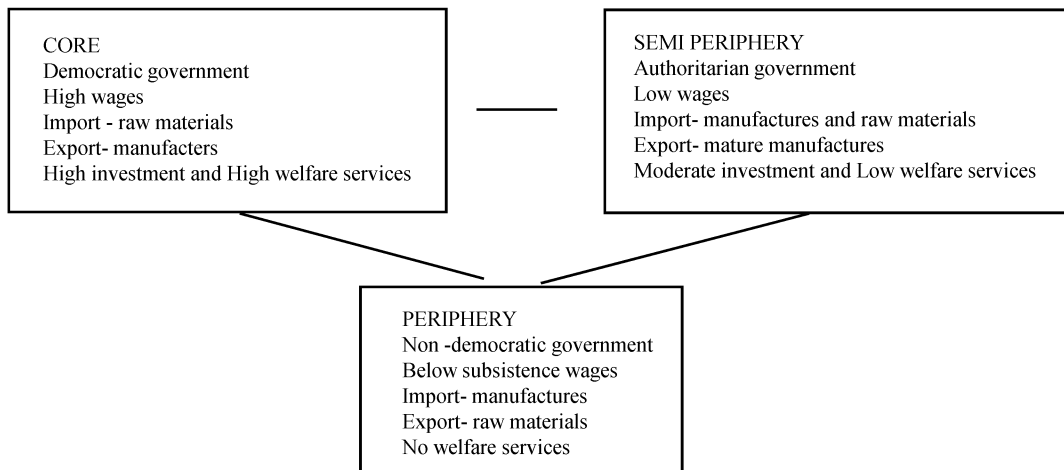
Geographically this world system is divided into three main economic zones - core,

semi- periphery and periphery zones. Countries making up the core have efficient complex production systems and high levels of capital accumulation. Core states are administrative well organized and militarily powerful. Peripheral countries have the opposite. Semi periphery combines elements of both. According to this theory, the three zones of world economy are interlinked in an exploitative relationship with wealth draining away from the periphery to the core. Such is the relation that the rich get richer and the poor poorer.

The following figure will show inter-relationships in world economy (Hobden and Jones in Baylis, Smith and Owens 2014: 121)

The world system evolves through stages of expansion and contractions with areas shifting location among the core, semi -periphery and periphery. From the geo- socio- logical perspective Wallerstein outlined the main stages in the history of world capitalist economy as follows: (Peet and Hartwick 2009: 174-175)

- With the crisis of feudalism the European world economy emerged during the extended 16th century (around 1450-1640). The north- west Europe was the core. Spain and north Italian cities was the semi periphery while north Europe and Americas the periphery.
- In the period 1650-1730, England became the only surviving core state. (recall the formation of the British colonial empire)



- Industrial production and the demand for raw materials increased rapidly after 1760 leading to the formation of a truly world system under the hegemony of Great Britain. Latin America , Asia and Africa were absorbed into the periphery (recall that all the British colonies were spread across these 3 continents). United States and Germany became semi periphery and finally core. The core exchanged manufactured goods with the periphery's agricultural products.

- With the world wars, a new world economy with USA as the core emerged.

The main point of having this brief discussion is to help you internalize the fact that over time the dynamics of the system has changed in response to various events in different parts of the world. This particular theoretical framework places and analyzes regional development dynamics in the global context.

14.4 Conclusion :

Development is a central concern of common people and policy makers alike throughout the world. It is a huge rallying point for vote bank politics and policy promises in democratic societies. The concept of development has had multiple connotations over centuries and various policies have been proposed by theorists over the years to achieve goals set by such concepts. From economic growth to happiness, from structural responsibility to responsibility of individuals as agents participating in their own development, the journey of this concept is huge.. Development as a whole is much more than mere obsession with policy provisions providing access to goods, services and various kinds of opportunities. Along with these, the capacity of individuals to make use of resources and opportunities also matters. Hence development has to be understood both as a top down and bottom up approach. Top down in the sense of provision of opportunities by the state and bottom up in the sense of individual capacity building to make use of those opportunities which in turn will give them voice in influencing further policy decisions. Capacity building activities can be done both by the state and other non state actors starting from NGOS to various group initiatives. The long term goal of development should always be about making individuals masters of their own lives and removing all obstacles in the path of their free existence.

14.5 Summary :

We can sum up by recalling first a statement made while attempting to define development at the beginning of this unit. Development essentially turns out to be a contested concept. We can see that there has been numerous approaches to understand what development really means and the question of how to bring about development seems to be the most debated one to deal with. The initial fixation with exclusively economic definition of development went away as it became clear that even if overall economic growth was achieved, many regions and areas within regions remained gripped in the pangs of hunger, poverty, malnutrition etc. As we saw in the discussion above economic growth with its GDP, GNI indicators became only one among the many other indicators like health, education, employment, housing and even happiness.

In the other section three theories of development dealt with the questions of why are countries poor and how can they develop. W. W Rostow's theory takes up a more con-

ventional view of development and charts a path whereby the underdeveloped countries could achieve development potential only along the path shown by the developed west mainly and if need be take their assistance. In doing so A.G Frank's dependency theory reverses this argument claiming that development cannot be brought about by a general formula applicable to all. Situations differ and as far as peripheral countries in the development scenario are concerned, it is the developed core of the world which is responsible for their plight. Wallerstein's world systems theory also follows the similar core-periphery logic in understanding and analyzing the current interconnected global economy. Regional inequalities and inequalities within regions have been attributed to the unequal exchange between the core and the peripheral areas.

14.6 Questions :

- (I) Answer in detail :
- (a) Define development in the conventional sense
 - (b) Explain the difference between the conventional and the modern expanded notion of development.
 - (c) Explain the various stages of growth for societies moving from underdevelopment to development as pointed out by W. W Rostow.
 - (d) Explain Slewling Andre Gunder Frank, the causes of underdevelopment in the peripheral zones of the world economy.
 - (e) Explain the various interrelationships in the world economy as pointed out by Immanuel Wallerstein in his World Systems Theory:
 - (f) Point out the main difference in approach between the conventional modification and the critical dependency theory on how to bring about development in the underdeveloped areas.
- (II) Answer briefly :
- (a) Why do you think need was felt to expand the traditional concept of development?
 - (b) Point out the Millennium Development Goals.
 - (c) Indicate the various parameters of Human Development Index.
 - (d) Explain World Happiness Index
 - (e) Point out the features of a traditional society according to Rostow
 - (f) Point out the differences between a traditional society and a society with high mass consumption.
 - (g) Explain the basic economic relationship between core and periphery in dependency and world systems theory.

(h) Following Wallerstein, explain the current structure of the world system.

(III) Answer very briefly:

(a) Who devised the concept of Human Development and when?

(b) Name the famous work of Amartya Sen associated with development

(c) Explain the meaning of GDP and GNP as measures of economic growth.

(i) Name the country that has adopted Gross National Happiness as their main development indicator

(ii) Name W.W Rostow's work

(iii) Name the Commission who came up with the earliest ideas on dependency and under whose leadership.

(iv) Name Immanuel Wallerstein's work on world systems.

(d) Name Andre Gunder Frank's work on dependency theory

14.7 References :

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14.8 Glossary :

- **Gross National Income**- the measurement of a country's income which includes all the incomes earned by a country's residents and businesses including incomes earned abroad.
- **Gross National Product**-the total final output of goods and services produced by the country's economy within the country's territory by residents and non-residents.
- **Income per capita**-total gross national income of a country divided by the total population

- **Human Development Index** - composite index of life expectancy, education and per capita income
- **Millennium Development Goals** - list of goals adopted at UN Millennium Summit in the form of UN Millennium Declaration ranging from extreme poverty to halting the spread of HIV/AIDS and providing universal primary education.
- **World Happiness Index** an index giving importance to subjective elements while measuring development with parameters like GDP per capita, social support, healthy life expectancy, freedom to make life choices generosity and perceptions of corruption

UNIT–15 : Globalization and the Third World : Health, Education and Migrant Labour

Structure of the Unit :

- 15.0 Learning Objectives
- 15.1 Introduction
- 15.2 Globalization : the Idea
- 15.3 Globalization and the Developing world: Why the Controversy?
- 15.4 Institutions that govern globalization : IMF, World Bank and WTO
- 15.5 Globalization and health
- 15.6 Globalization and education
- 15.7 Globalization and migrant labour
- 15.8 Conclusion
- 15.9 Summary
- 15.10 Questions
- 15.11 References
- 15.12 Glossary

15.0 Learning objectives

- To understand the basic concept of globalization
- To grasp the various forces that drive globalization and the institutions that affect the globalization process
 - To develop a simple understanding of how globalization affects the developing world and why it becomes controversial in this context
 - To get acquainted with the positive and negative effects of globalization on health
 - To understand in brief how globalization affects educational practices and trends
 - To understand what migration in a globalized world means and its implications

15.1 Introduction :

Globalization has become a common everyday usage term. The things we buy, the clothes we wear , the food we eat , the songs we listen to or the Netflix series we watch daily has the essence of globalization written all over it. In short we are now a connected

lot- a generation that can send a message across a continent in seconds, a generation that has access to lasagne in India and biryani in Seattle, a generation that can rise up in revolt mobilized by a video streaming on You Tube, a generation that can make a livelihood out of the world wide web without a formal 9 to 5 job and the list can go on. Globalization is a phenomenon, a process or rather a network of processes and even an ideology that is linked to reducing monopoly of the state as the only power governing lives within frontiers.

15.2 Globalization : The idea

Very simply put it is the widening, deepening and speeding up of worldwide interconnectedness. It develops connections between previously unconnected people, communities, institutions and societies. Over the last three decades this has been phenomenal and is visible in every sphere from economic to cultural. Worldwide economic integration has intensified as the expansion of global commerce, finance and production binds together the economic fortunes of countries. No country and its people can be insulated from its effects. States are no longer closed units and they cannot exclusively control their economy. Communications have revolutionized. We now live in a world where events in one location can be immediately observed in other parts of the world having ripple effects. The entire world is facing a space-time compression. A global cosmopolitan culture is developing with urban areas, food habits and fashion looking alike. In many cases this is being referred to as McDonalidization of the world. Even risks are getting globalized in a way that solution by one country alone won't be possible.

Thus globalization has been interpreted in three main ways:

- Economic globalization - it is the process whereby all national economies have been absorbed to a greater or lesser extent into an interlocking global economy through international trade, cross border financial flows, transnational production and global division of labour. (Heywood 2011 :94-95)
- Cultural globalization- this is the process whereby information , commodities and images produced in one part of the world enter a global flow that tend to flatten out cultural differences between nations, regions and individuals. However this is a complex process as homogenization is not the only thing that happens, sometimes diversity is also generated (Heywood : 147). Some examples will make this clear. Just like pizza and pasta has travelled from Italy to India, so has biryani to USA. If we have learnt to wear jeans and listen to Pink Floyd and Coldplay, so have they learnt to wear sari and listen to A.R Rahman. To easily understand the generation of diversity just visit a shop selling Barbie dolls and see the variety of dolls available today with different skin colours, hair colours, hair textures and so on. Similarly one can imagine the thrill it brings to an avid reader of literature to

get a copy of English translation of the Tanzanian novelist Abdul Razak Gurnah's work in a matter of days after he won the Nobel award for literature in 2021.

- Political globalization - this refers to growing importance of international organizations and their role in policy making responsibilities and influence on governments of states. It also makes one increasingly aware of the emergence of a global civil society that impacts the agenda of global governance.

As Anthony McGrew writes, explanations of globalization focus on the following three factors: (McGrew in Baylis, Smith and Owens ed. 2014: 21)

- Technics i.e. the technological change as without communications infrastructure no global system or worldwide economy would have been possible
- Economics i.e. capitalism's economic logic with its requirements for new markets and profits leads to globalization of economic activity
- Politics i.e. the ideas, interests and power factors that provide the normative logic for globalization. Countries like USA, UK are important actors who push globalization agenda throughout the world.

Three Waves of Globalization

Globalization cannot be branded as a totally new phenomenon. It is considered in terms of three waves (McGrew in Baylis, Smith and Owens ed. 2014: 22). The first wave was the age of discovery (1450-1850) when European countries set out to discover, expand and conquer the globe. The second wave till 1945 saw expansion and entrenchment of the European empires and USA coming into the picture. Contemporary globalization from 1960s onwards it took on a new avatar with the microchip revolution. It is also associated with a shift in power from the west to the east with the rise of China and India.

15.3 Globalization and the developing world: Why the controversy?

The entire world has come into the cloak of globalization but it has been a topic of controversy and criticism as well and much of it is related to its impact on the developing world. The first step of becoming a part of the globalized world is to open the doors of the economy to trade and investment with the outside world. Once the restrictions are removed the flows begin. It is true that this opening up brings along with it many positive effects. Opening up trade has helped many countries grow faster. Because of globalization many people in various parts of the world live longer than before and standard of living has improved. Life saving technologies are moving across borders. No one wants to see their dear one die if technology and knowledge is available elsewhere. People in the West may think low paying jobs at Nike an exploitation but for many in the developing

world working in a factory is far better than growing rice. It has given many, access to usable knowledge. Various institutions and intergovernmental organizations both new and old are working across borders doing commendable work. Like for example International Red Cross, World Health Organization. Foreign aid has brought benefits to millions. (Stiglitz 2002: 4-5, 10).

Automatically the question arises, if it is doing good then why are anti -globalization protests emerging in different parts of the world. First, the growing divide between haves and have nots have left a lot of people in the developing/underdeveloped world in dire poverty. Secondly, it has increased economic instability. Thirdly, the developed western countries have proved to be hypocrites. They have pushed the poor countries to remove trade barriers but they kept their own intact. They have penetrated these markets and damaged local industries but they prevented these poor countries from exporting their primary products to their own. The west even forced these poor countries to give up their subsidy systems and these pressures came along with financial aids they provided through various institutions like World Bank (to be discussed shortly). It is this particular economic aspect of globalization and the international institutions that forcibly push this agenda that create maximum controversy.

15.4 Institutions that govern globalization- IMF, World Bank and WTO

In August 1944 the USA, UK and 42 other states met at the UN Monetary and Financial Conference at the small resort town of Bretton Woods to formulate institutions that will regulate post Second World War financial system. Three new bodies were created collectively known as the Bretton Woods System:

- **International Monetary Fund (IMF)**- its chief purpose was to encourage international cooperation in the monetary field dealing with foreign exchange and exchange rates (the price at which one currency is exchanged for the other). It is also involved in lending to the developing world.
- **International Bank for Reconstruction and Development (IBRD)/World Bank**- this institution mainly provides low interest loans to support investment projects for instance infrastructure projects in areas such as energy, telecommunications, transport etc and also technical assistance. The motto of World Bank is 'Our dream is a world without poverty'.
- **The General Agreement on Tariffs and Trade (GATT)** which was replaced by **World Trade Organization (WTO)** in 1995 - GATT existed as a set of rules and norms with the main aim of removing restrictions on trade among countries. Initial focus of GATT was on manufactured goods but with the formation of WTO it has expanded to services, intellectual property, textiles and agriculture.

The above discussion can give the notion that these institutions have noble aims and work for the cause of economic wellbeing and stability of the world but in reality these are the drivers of the politics of globalization. Both IMF and World Bank has weighted voting system which means countries with greater economic strength will be the decision makers. From the 1980s onwards these institutions became directly involved in preaching free market ideology. This is the era of President Ronald Reagan of USA and Prime Minister Margaret Thatcher of UK. Reluctant poor countries were forced to open up their markets because it was made necessary condition if they wanted IMF and World Bank funds. These conditioned loans were given the name of structural adjustment programmes/loans. (Stiglitz 2002:13-14)

This particular policy of forcing liberalization -globalization - privatization (LPG) on countries which were not internally strong and ready, created crisis and instability.

The WTO is more democratic in its decision making than the other two but as far as smooth trade is concerned, this has also played into the hands of the rich club. Three agreements form the basic structure of WTO - General Agreement on Tariffs and Trade (GATT) which deals with removing trade barriers in manufacturing and agricultural goods, General Agreement on Trade in Services (GATS) for free trading in services like banks, telecom, insurance, health etc and Trade Related Intellectual Property Rights (TRIPS) which contains rules for trade in ideas and creativity which state how copyright, patents, trademarks, designs and other intellectual property can be protected in trade. The problem with this is that the developed world leave no stone unturned to remove controls from the market of the developing while keeping their own controls intact. In case of intellectual property matters the biggest politics is played out in the field of pharmaceuticals which will be discussed in the 'Globalization and Health' section of the unit.

The main objective of the entire aforesaid discussion on globalization was to provide a basic understanding of what it means, the driving forces, the institutions and countries that promote this process and the politics the developing world faces in this era. This discussion will help to trigger the thought process and give you the analytical tool to examine the issues to be discussed below.

15.5 Globalization and health :

As noted in the previous sections, forces of globalization have become a potent force and has blurred in many cases the difference between national and international. It has actually undermined the ability of sovereign states to control what occurs in their territory and the maximum pressure comes down on the developing world countries. In the sphere of health this is no exception with the distinction between national and international public health getting blurred. The ability of states to prevent and control infectious diseases have been undermined.

Globalization is associated with a number of flows and trend that have direct and indirect effects on health, both positive and negative:

- Increased pathogen flows - movement of people means transport of pathogens across borders. With increasing global travel and trade microbes are hitchhiking on people and goods and in many situations their resistance is also strengthening. New diseases are emerging and old ones re-emerging Eg- SARS, drug resistant tuberculosis, AIDS etc (Fidler 1997: 20)
- Increased information flows and trade in knowledge - spread of health knowledge and technological innovations and increasing reach of multinational concerns in the health sector. In this context it may be mentioned that it is the developed world that mainly carries out the medical and health related research from which everyone is supposed to benefit rich and poor countries alike but this transfer of knowledge has also been limited by intellectual property rights regime. With the coming in of the World Trade Organization, an international legal regime protecting intellectual property has emerged known as Trade Related Intellectual Property Rights (TRIPS). The biggest cause of concern are the patents on pharmaceutical products. Once a drug is developed, the company and the country gets exclusive right on that composition and acquiring that involves a lot of financial burden for the developing countries as they are costly ones. The only way out for them is to issue compulsory licenses to local firms to manufacture lower cost generic versions of the expensive patented drugs. The western pharmaceutical industry severely opposes this and in many cases have prevented access to and production of low cost drugs. Hence a power play in the health sector is inevitable.
- Increased cultural flows and lifestyle changes - spread of lifestyle patterns and habits from one part of the world to another. The greatest examples are changing food habits, faster lifestyle, sexual practices, illicit drug usage culture and other changing behavioural patterns that bear impact on health. For instance, McDonalds is not just about a quick meal but it is also being a part of the 'cool' American culture. Similarly smoking a Marlboro is about being 'modern'.
- Increasing mobility and fluidity in the employment sector - with liberalization and privatization trends kicking in and the rolling back of the government sector, the idea of a fixed certain lifetime income has moved out of the picture and so has public health expenditure reduced. The number of people competing for jobs have increased manifold and with it has come vulnerability and psychological stress impacting health.
- Increased rural-urban flows and rampant urbanization has resulted in proliferation of slums, squatters with appalling sanitary situations. The income divide has widened with the rich having world class access to health care packages while the poor lose access to the basic lifesaving drugs.

- Increasing privatization of health care and protection like insurance etc has also become a trend. Government hospitals in many cases are too overburdened and in many cases lack facilities to provide treatment in complicated cases. The private hospitals turn out to be the only option for treatment and given their excessive charges, health care has become a luxury few can actually afford at ease. Just look around your city and compare the government hospitals with the private ones. The health industry scenario will become absolutely clear.

Thus we see that globalization overall has been a challenge to public health especially in the developing world. There has been the effect of trade regimes like trade in services and intellectual property, marketing of unhealthy products and lifestyle, spread of new diseases and coming back of old ones, on livelihoods and work culture and resultant stress and as well as privatization of health care.

15.6 Globalization and Education :

In any society education plays a very important role as socialization media, identity creation as well as in creating enriched citizens. Education since the Greek times has been essentially seen as a state function. If you see the works of Plato and Aristotle you will find extensive accounts of state sponsored ideal education systems. Educational systems have been sponsored, mandated, organized and certified by the state. In public education the state function was not just maintaining legal order or providing financial support but also setting requirements for degrees, teacher requirements and qualifications, mandated textbooks, courses for basic curriculum etc. The basic function has remained in its place like curricula setting and others as pointed out, but its nature and monopoly of influence has undergone changes in the era of globalization.

Formal education is the most commonly found institution and most commonly shared experience of all in the contemporary world. Formal education remains but the social context of education has changed with globalization.

The current era has turned out to be that of *knowledge economy*. Intellectual capital is considered to be the asset. People are now in the front line of competitiveness of a country (Spring 2008: 339). High tech industries are on the rise, service sector is expanding and self-employment opportunities are increasing in the world of information and communication technology. Knowledge economy requires higher skilled labour. Importance of applied knowledge has increased. Hence focus now is on the necessity to educate students with skills for global workplace. They are to be educated in a way that they become resilient in a highly competitive and constantly changing workplace across borders. Information technology and communications have expanded the access to knowledge from different parts of the world. Virtual classrooms with self-learning opportunities are becoming commonplace. One smartphone with internet connection

can open up a treasure island of knowledge for anyone in any corner of the world. Online certification courses in technical skills have increased manifold. Simple degrees no longer give necessary competitiveness to survive in the skills market. For example- online courses by Udemy, Unacademy, Coursera have become popular. Online lecture series are available from world's top universities like MIT, Harvard etc and can be accessed free of cost. Even in remote areas in continents like Africa this virtual classroom has made inroads disseminating knowledge. Memoranda of Understanding (MOUs) have increased between universities across borders with student exchanges being carried out and hosting foreign faculties a significant experience.

Just take out few moments and check open course websites like
<https://www.coursera.org><https://ocw.mit.edu><https://unacademy.com><https://www.udemy.com><https://nptel.ac.in><https://swayam.gov.in>

These virtual learning platforms are transdisciplinary. There are no specific criteria laid down to take a particular course. A student of English literature can learn computer programming if he/she is interested and get certified on completion. Also such learning processes are lifelong. There is no age criteria in such e-learning formats and can be done in one's own time and pace.

Also the idea of comparative education, learning and borrowing of innovations to and from educational systems across borders has also become a practice.

Given the increase in movement of people across borders and large number of people living and raising children in cultures different from their homelands, ***multicultural education policies*** have become very important in the present world. Imagine an Indian family living in Germany trying to educate their kid in German schools and the problem that he/she will face if the education policy does not respect cultural diversity.

Another important impact of globalization on education is related to ***academic capitalism*** (Spring 2008: 350). Very simply put, when education becomes a market with the survival of the fittest principle. As discussed in the section on globalization, we have seen how globalization and privatization go hand in hand leading to rolling back of the state from a number of responsibilities. Education is also a sector which is facing a privatization surge like health. Public funding on education is facing reduction pressures. Look around your own city and check the ratio of private and government educational institutions. The former is increasing in number. 'International School', 'World School' tags are on the rise with skyrocketing fee structures. A tacit pressure mounts on the people to educate their children in these schools as they are driven by the notion that better opportunities will come to them in future as compared to those educated in government ones. This particular trend is noticeable in the developing world predominantly. Pressures to send students to English medium schools are higher and given the population- number of schools ratio, admission to a 'good' school becomes a

cut-throat competition issue among parents.

Thus we see globalization has had both its positive and negative impact on education. Human and intellectual capital development is a priority today for all countries. In the globalized world the country or countries which will be capable of producing the best competitive innovative minds will have the maximum leverage to make the most out of the global connectivity. If you look at your own country you will see that our educated minds are an asset for the country and they are spread worldwide. The CEO of Microsoft Satya Nadela, the CEO of Google- the two information-communication technology giants without which the present global connectivity is null - are Indians.

15.7 Globalization and migrant labour :

People move. Hence migration which simply means movement of people from one place to another is not a new phenomenon but it is something that seems to be accelerating as part of the process of global integration. Migration is the human face of globalization. There is large scale movement of people from their homelands to other areas of the world to work and settle temporarily or permanently. Worldwide migration is reflecting rapidly changing economic, political and cultural ties between countries. It is estimated that 1 in every 33 people in the world today is a migrant. (Giddens, Sutton 2013: 700)

Global migration patterns are made up of immigration i.e. movement of people into a country to settle and emigration i.e. process by which people leave one country to settle in another. The countries into which the movement take place are countries of destination while the ones from which people move out are countries of origin. There is a constant flux with people moving transnationally or nationally, individually or in groups, temporarily or permanently, return to their countries of origin or migrate to another country or move between two or more countries in a circular way. This constant flow of people has created new types of global interdependencies among states and regions.

Four models of migration that have been used to describe the main global population movement (Giddens, Sutton 2013: 701)

- Classic model- this applies to countries like Canada, USA, Australia which were born as nations of immigrants.
- Colonial model - this was pursued by countries like England and France who favoured immigrants from their former colonies
- Guest worker model - in this immigrants were allowed on a temporary basis to fulfil demands within the labour markets and were never given citizenship rights.
- Illegal forms of immigration who are able to gain entry into a country secretly and live outside the realm of official society.

Globalization has magnified the ambit and nature of this worker model of migration. The bulk of global migrants today are workers who migrate for employment and income opportunities.

Migration can be voluntary and involuntary or forced. In this case we will concern ourselves with the first type. The International Convention on the Protection of the Rights of all Migrant Workers and Members of their Families, 1990 defines a ***"migrant worker"*** as a ***"person who is engaged or has been engaged in a remunerated activity in a State of which he or she is not a national"***.

This migrant workers are recruited in project tied groups as well as individually. Most are labourers. For instance, huge number of people from some Indian states like Kerala work in the Gulf countries in the unskilled and semi -skilled category. The migratory trend is also seen in the skilled sector as well. The predominant trend of such movement is from the developing world to the developed one. It is true that movements within the developed and developing areas also take place to their respective areas of economic growth. For example, Indians do not just migrate to USA but they also do so to Singapore, Hong Kong, Japan etc. The overall trend is thus to move from less developed areas to more developed ones.

Any discussion on migration that tries to understand the factors behind migration refer to "push" and "pull" factors. Push factors are the dynamics within a country of origin that force people to emigrate like lack of sufficient job opportunities, poor economic conditions, war, famine, population pressure etc. Pull factors are the attraction that a destination country offers like better job, better pay, better living conditions, etc. In the era of globalization, it is the economic factor with its push and pull dynamics that is leading to migratory trends.

Just stop and think for a while. If you carry out a personal survey you will find that a large number of individuals belonging to the young generation in the cities of India want to settle abroad. Armed with their formal education degrees they set out to chalk their careers in foreign soil. Those who go abroad to get their degrees are also reluctant to return once they get a taste of that lifestyle. All these have been made possible by the communications revolution that has made movement across borders cheap and easy.

However movement of people are not as free as goods and services. There is a complex web of immigration laws and policies which one has to clear if he /she has to work abroad. Most of the skilled workers enter legally and are documented at work. But these laws and policies place barriers on migration of low skilled workers. Hence these days the issue of illicit and clandestine migration has also cropped up with informal brokers using cross country channels assisting migration.

Now the question arises that what is the impact of such widespread movement. The impact is complex bringing both benefits and disadvantages. It provides a supply of low

cost labour to host countries but also generates resentment with issues like falling wages, public service burden etc. Remittances from emigrant workers are an important source of income for sending countries. For example as per International Labour Organization data in 2001 remitted income amounted to 10 billion US dollars in India. (<http://www.ilo.org/global/about-the-ilo/newsroom/news/>). The sending countries of the developing world face brain drain and loss of skilled human capital with their best and brightest moving out to the developed world for better jobs and lifestyle. This is because the number of employment opportunities stock often fall much short of the number of skilled individuals who need them.

Apart from the economic impact there is a huge socio-cultural one as well. Migrants bring to the receiving countries many customs, practices and behaviour patterns from the home country. Major cities of the world that face immigration pressures are turning increasingly cosmopolitan and multicultural. In many cases you will see small communities of original culture are being recreated in host countries by migrants similar to our very own "Chinatown" in Kolkata. On one hand this has a positive dimension as it leads to intermingling of cultures but on the other hand it generates social conflict as well. Racism is one huge problem that migrants to the West generally face. They sometimes even fall victims to the hatred. Examples of hate crimes against Indians can be found in countries like Australia, USA. USA in recent times is showing a trend of visa restrictions on Indians on account of domestic opposition.

In case of some catastrophe in destination countries like war , natural calamity etc, migrant workers become victims if the home government fails to take quick action to evacuate them from the crisis. The biggest example of such crisis is the Gulf War where the Government of India had to airlift thousands of workers from the Gulf region to bring them home safely. And the latest instance is that of Indian medical caught in the dire situation of a sudden military flare up between Russia and Ukraine.

After 9/11 World Trade Centre catastrophe migrants are increasingly being associated with threats to security as well and face unnecessary harassments and hardships in the host countries.

Given the problems migrant workers face like lack of legal protection and exploitation especially the unskilled and semi-skilled ones, various initiatives are being taken at the inter-governmental level. There is the International Labour Organization (ILO) which has laid down clear mandate on labour migration and their protection, an International Organization for Migration (1951) and Global Commission on International Migration (2003). There are written documents protecting their rights like ILO Migration for Employment Convention (1949), ILO Migrant Workers (Supplementary Provisions) Convention 1975 and International Convention on the Protection of the Rights of all Migrant Workers and Members of their Families, 1990.

Things to do :

Glance through the various conventions on migrant labour available on the website of International Labour Organization and also check the World Migration Reports available in the same to get an idea of the cross border labour movement

The main crux of the section hence was to grasp how both skilled and unskilled labour migration trends have increased throughout the world mainly from less developed to more developed areas within and across regions and the economic and socio-cultural impact it is having on both source and destination locations.

15.8 Conclusion

We can conclude from the discussions in the previous sections that globalization is the buzzword of our day. It is an immensely overused term and is visible in all spheres of our economic, social, culture and political existence. People, money, goods and ideas can move from one part of the globe to another at ease and events can create ripple effects and repercussions in seconds. Being a part of this process is unavoidable irrespective of the size and economic standing of a country in the global economy. The politics surrounding globalization can be witnessed in institutions like IMF, World Bank and WTO in all aspects starting from agenda setting to decision implementation. The distribution of gains and losses from the globalization process is highly uneven. In the health and education sector, perhaps the biggest impact of globalization has been in the aspect of privatization. The latest example of the spread of Covid 19 pandemic bears the stamp of the impact of a globalized world. Movement of just one infected person was enough to trigger community transmission both within and across countries. Also politics of vaccination and vaccine diplomacy is also a case to the point. Migration has also magnified with globalization with internationalization of production processes and fluidity of movement and has mixed results for migrants, the home and the host countries.

15.9 Summary

Thus we see that contemporary globalization has marked the beginning of a new era in human affairs. It is transforming societies and world order in a complex, multifaceted and uneven ways. Globalization has a long history but today it is unprecedented in scale and form. It has its own winners and losers. It is true that it has increased the gap between the richest and poorest countries and has increased divisions across societies. It has become increasingly politicized over time. But despite all criticisms it does have its own silver lining. It is here to stay and countries will have to assess their capacities and enter this process in manners suitable to them to make the most out of it with least damage.

15.10 Questions

(I) Answer in detail :

- (a) Elaborate on the concept of globalization
- (b) Explain the various factors that drive globalization
- (c) Critically evaluate the role played by the institutions of globalization in relation to the developing world.
- (d) Examine on the impact of globalization on health and subsequently on the developing world?
- (e) Explain how globalization is changing the contours of the traditional classroom.
- (f) Explain the relationship between globalization and intensification of migration trends

(II) Answer briefly :

- (a) Explain cultural globalization
- (b) Point out the positive effects of globalization on the developing world briefly
- (c) Explain the change in the ideology of World bank and IMF in the Reagan-Thatcher era
- (d) Why is IMF and World Bank called the rich man's club?
- (e) Elaborate on cross cultural flows and its impact on health.
- (f) Explain how rolling back of state in healthcare affects the poor
- (g) Explain briefly the essence of 'knowledge economy'
- (h) Point out how schooling in becoming a part of the market economics of capitalism

(III) Answer very briefly :

- (a) What is the purpose of World Bank?
- (b) Name the precursor of WTO.
- (c) Point out two aspects of economic globalization
- (d) In the lexicon of world politics, what does LPG stand for.
- (e) Who is a migrant worker?
- (f) Name the international organization that looks after the interests of labour.
- (g) Name two conventions that define the rights of a migrant worker.

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15.12 Glossary :

- **Bretton Woods System** : in an attempt to rebuild the international economic system after second world war, 44 allied nations gathered for United Nations Monetary and Financial Conference to set up a system of rules, institutions and procedures to govern international monetary system.
- **International Monetary Fund** : an organization of 190 countries working to Roster global monetary cooperation and financial stabily
- **International Bank for Reconstruction and Development-** also known as Work Bank having a membership of 180 countries aiming at sustainable solutions for poverty reduction and prosperity promotion
- **General Agreement on Tariffs and Trade-** signed on October 30, 1947 this was a legal agreement minimizing barriers to international trade by regulating quotas, tariff's etc Work! Trade Organization global international organization dealing with rules of trade among nations so that it moves freely and predictably. It replaced GATT in 1995.
- **Trade Related Intellectual Property Rights-** international agreement protecting intellectual property rights. Intellectual property rights are rights given to persons over creations of the mind. They have exclusive right over the use of their creations for specified time periods.
- **International Labour Organization-** the only UN agency that was part of its precursor, The League of Nations. With 187 member states this organization works for setting labour standards and policies and programmes promoting decent work.

UNIT–16 : Sociology of Economic Life: Basic Perspectives

Structure of the Units :

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 - 16.2.1 The Concept of Economic Action
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- 16.3 Economy and Sociology in Relation to Social Action
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 - 16.4.1 Classical Sociological Approaches to Economics
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 - 16.5.2 Rational Choice Theory: Economic Sociology
- 16.6 Conclusion
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16.0 Learning Objectives

The main goal of this chapter is to figure out what the phrase "economic Life" means in the social sciences and how to apply it consistently. The logical nature of

the means-ends connection gives economics its formal definition. It denotes a system of criteria for deciding between different applications of inadequate resources. The analytical framework and theoretical perspective were created to determine the link between social institutions and economic performance. The sociology of economic life is likewise concerned with resource allocation and the function of the actor in the system, and it may be traced back to classical tradition to modern theorisation.

Studying this unit, you will be able to :

- Get the meaning of Sociology of Economic life, Economics and current sociological economic theory.
- To know the role of actor and its relation to socially constituted economic action.
- Get the meaning of Economy and Sociology in Relation to Social Action.
- Describe the intellectual Approaches in Economics and Sociology

16.1 Introduction

As a chosen field of inquest, sociology of economic life is not much more than a century old, even though its intellectual ancestry is identifiable in older traditions of philosophical and social thought. During the past quarter-century it has experienced an explosive growth, and now stands as one of the most noticeable and imperative subfields of its parent discipline Sociology of economic life applies a 'sociological perspective to economic phenomena' (See Smelser and Swedberg, 2005), in contention that economic life is entrenched in the larger social structure. Sociology of economic life is a broad based attempt to contextualise economic actions, processes and structures in the wider societal context. While they use different emphases, theories, and methodologies, all economic sociologists argue that economic phenomena have to be understood in relation to the social mechanisms that help, delineate, and uphold them. These practices include shared meanings (culture), institutions, political structures, and social networks (See Guillén et al., 2005; Seliser, 2010). Economic sociologists also rebuff the perception that the social, political or cultural dimensions of society 'interfere' by way of the smooth functioning of the economy (Seliser, 1985, 1989). Rather, social mechanisms routinely endorse effective economic operation (Beckert, 2007).

Economics has had a larger influence on sociology than vice versa. Several core subfields of sociology - such as labour market, capital, stratification, work and organisations - have been considerably influenced by economic theories; but sociology

has had relatively little impact on economics. Communication between economics and sociology is slowed down by intellectual barrier such as fundamentally different assumptions with regard to the roles of induction and deduction, as well as by institutional and professional impediment. Yet, economic institutions and processes are associated to sociological phenomena. Not only sociologists but also economists have made important contribution to economic sociology. Which particular works by economists are pertinent in this context is indicated with the help of Schumpeter's *History of Economic Analysis*, a work exclusive in that it traces not only the history of economic theory however also that of economic sociology. Three main traditions come into view in economic sociology, which are still fairly uncultivated: the German tradition of *Wirtschaftssociologie* (1890-1930), The French tradition of *sociologie'conomique* (1890-1930), and the US tradition of *economy and society* (1950s). Since the 1970s a stimulation of interest in economic institutions has occurred especially in the United States, and a new economic sociology has come into being. Both economists and sociologists helped to generate this new sociology of economic life. The main idea here is to explain the emergence and functioning of economic institutions with the help of microeconomics. Sociologists have developed an approach to economic sociology, every so often referred to as the "new sociology of economic life." This approach attempts to analyse core economic problems, as opposed to the problems traditionally left over by the economists for the sociologists to solve. Today's sociologists have done interpretive work, particularly on the role of networks in the economy, on the structure of economic organisations, and on the function of culture in economic life (Swedberg, 1991).

The severance between these disciplines owed partly to subject matter, as sociologists left to economists the study of economic problems such as production, distribution, and consumption. This dissection was also rooted in disciplinary differences in approaches to the same subject matter that resulted from the ascendancy of neoclassical economic theory (Coleman 1993). By contrast, sociologists tend to value realism of concepts and propositions, and are generally not prepared to forfeit empirical description of the facet of social activity in different historical, cultural, or institutional contexts in replace for theoretical power and prophecy.

The association between the economy and society has attracted analytical awareness since the founding of sociology. The discipline's forerunners and founding fathers formulated analytical schema and theoretical problems to determine the relationship between social institutions and economic performance. For example, Marx was mainly engrossed in the systemic causes and consequences of economic inequality. Weber's theory was centered on economic ideas and structures. Durkheim's division of labor

was about the pre-contractual elements of exchange, while Simmel dealt with capitalist life and the emergence of calculability in social relations (see Granovetter, 1990, Swedberg, 1994). Classic sociologists studied economic phenomena in terms of social classes, status groups, institutional analysis, work and occupations, and economic development (see Guillén et al., 2005; Swedberg, 1994 for a review). The prevailing Parsonian paradigm advocated a division of labor in the social sciences that left nearly all aspects of the exploration of economic phenomena in the direction of the discipline of economics. This division has led to the emergence of the economy and society paradigm in which the economy is alleged as a self regulating sub-system (Beckert, 2007; Guillén et al., 2005).

Recent sociological analyses of economic institutions have been influenced mainly by two major economic theories. The first is the New Institutional Economics, which has its ancestry in the 1950s, but came into its own in the 1970s, being popularised in 1975 by Oliver Williamson's *Markets and Hierarchies*. The second most important influence is neoclassical economic theory. Neoclassical economists have belligerently broadened their subject matter in recent years by pleasingly applying their painstaking mathematical arguments to sociological as well as economic problems (Granovetter, 1992).

16.2 The Concept of The Actor :

The logical preparatory point of economics is the individual; the logical preparatory points of economic sociology are characteristically groups, institutions, and society. In microeconomics, the individualistic approach finds its origins in early British utilitarianism and political economy. By contrast, in discussing the individual, the sociologist often focuses on the actor as a socially constructed entity, as "actor-in-interaction," or "actor-in-society." Sociologists take the group and the social-structural level as phenomena sui generis, irrespective of the individual performer. Methodological individualism need not be logically incompatible with a sociological approach. In his theoretical chapter to *Economy and Society*, Weber developed his entire sociology on the foundation of individual actions. But these actions are of interest to the sociologist only insofar as they are social actions or "take account of the behavior of other individuals and thereby are oriented in their course" (Weber [1922] 1978). This formulation underscores a difference between microeconomics and economic sociology the former generally assumes that actors are not connected to one another; the latter assumes that actors are linked with and influence one another. We argue below that this difference has implications for how economies function (Smelser and Swedberg [1994] 2005).

16.2.1 The Concept of Economic Action :

In micro-economics the actor is assumed to have a prearranged and unwavering set of preferences and to prefer that substitute line of action which maximises efficacy. Sociology, by contrast, encompasses numerous probable types of economic action. To illustrate from Weber yet again, economic action can be also rational, traditional, or affectual (Weber [1922] 1978, 24-26, 63-68). Sociologists tend to regard rationality as a phenomenon to be explained, not assumed. Weber dedicated much of his economic sociology to specifying the social conditions under which formal rationality is possible, and Parsons ([1940] 1954) argued that economic rationality was a system of norms—not a psychological universal associated with specific developmental processes in the West. An added divergence emerges in the status of connotation in economic action. Economists have a propensity to consider the meaning of economic action as derivable from the relation between certain taste, on the one hand, and the cost and quantity of goods and services, on the other. Weber's conceptualisation has a special flavor: "the definition of economic action [in sociology] must... bring out the fact that all 'economic' processes and objects are characterised as such utterly by the meaning they have for human action" ([1922] 1978, 64). Meanings are historically constructed and be obliged to be investigated empirically, and are not simply to be derived from assumptions and exterior circumstances (see Smelser and Swedberg ([1994] 2005).

16.2.2 Constraints on Economic Action

In mainstream economics, actions are constrained by tastes and by the scarcity of resources, including technology. Sociologists take such influences directly into account in the analysis of economic action. A person's location in the social structure conditions his or her economic choices and activity. Stinchcombe (1975) evoked the principle that structural constraints influence career decisions in ways that run counter to considerations of economic payoff.

16.2.3 Key Propositions in Sociology of Economic Life

The central tradition in sociology of economic Life is rich and draws on many different sources. For example, it contains works of Weber as well as of Marx and Durkheim. Still, there is a common core of central propositions. These are :

16.2.3.1 Economic Action as a Social Action

Economic action is essentially maximising, rational behavior, and everything else belongs to "non economic" action (Granovetter and Swedberg, 1992). Economic theory and economic sociology also agree in a general way that economic action is a type of behavior that has to do with choosing among scarce means that have

alternative uses (see, for example, Robbins [1932] 1984; Weber [1922] 1978). The task of economic sociologists in this situation is to try to engage the economists in a discussion about economic action by elaborating the sociological viewpoint as forcefully as possible. From a sociological perspective, it is clear that economic action cannot, in principle, be separated from the quest for approval, status, sociability, and power. Among the pioneers, Durkheim, for example, has especially emphasised how pure economic action fails to bind people together for more than a few moments. In *The Division of Labour in Society* he said that "even where society rests wholly upon the division of labour, it does not resolve itself into a myriad of atoms juxtaposed together, between which only external and transitory contact can be established. Durkheim ([1893] 1984) stressed that "The members are linked by ties that extend well beyond the very brief moment when the act of exchange is being accomplished".

A similar viewpoint also underlies Marx's concept of the economy, which is centered on the necessity to cooperate in the labor process. However, Weber first introduced a sophisticated sociological concept of economic action. Most of Weber's reflections on this topic can be found in the important chapter 2, "Sociological Categories of Economic Action," in *Economy and Society*. Weber begins the chapter by stressing that the concept of social action, as used in economic theory, is basically similar to that used in economic sociology. Both are actions oriented to economic means or, more precisely, to the satisfaction of desires for utilities. It is clear from Weber's discussion that he found economic theory a perfectly useful and legitimate enterprise (Granovetter and Swedberg, 1992).

16.2.3.2 Economic Action as Socially Situated

It is entrenched in enduring networks of personal relationships relatively than being carried out by atomised actors. An action by a member of a network is embedded, because it is expressed in interaction with other people. The network approach helps avoid not only the conceptual trap of atomised actors but also theories that point to technology, the structure of ownership, or culture as the exclusive explanation of economic events. The concept of networks is especially useful in the sociological analysis of the economy. By using the term network we do not mean to impose an imperialist claim over other interpretations in economic sociology, but it is absolutely essential to look at the actual, concrete interactions.

16.2.3.3 The Social Construction of Economic Institutions

"Social construction" in the economy has been prepared by Mark Granovetter (1992). This idea can be understood more easily with the help of three ideas.

These are as follows

- a) "The social construction of reality" from the sociology of knowledge.
- b) The idea of path-dependent sequences from economics.
- c) The concept of social networks.

Peter Berger and Thomas Luckmann, in *The Social Construction of Reality* ([1966] 1991), argue that institutions are not the kind of objective, "external" realities that they seem. Instead they are typically the result of a slow, social creation; a way of doing something "hardens" and "thickens" and finally become "the way things are done."

When an institution is finally in existence, people orient their actions to a set of activities sanctioned by other social actors, treating the pattern as one that exists out of time and could not be otherwise. But this sense of institutions as external and objective is a sort of obfuscation that society works on its members, and Berger and Luckmann ([1966] 1991) emphasise throughout their work that "it is impossible to understand an institution adequately without an understanding of the historical process in which it was produced."

16.3 Economy and Sociology in Relation to Social Action

The relations between economy and sociology involve cooperation and complementary, rather than competition and substitution, as many exponents of the economic approach to human behavior assume. Often purely economic analyses need to be supplemented by a sociological perspective on economic phenomena. Even some neoclassical economists (Pareto 1932, 1317) warn that analyses of many economic phenomena cannot be done without using sociology to examine "a great number of elements of complex phenomena." The key difference between economics and sociology results from their respective subject matter. Within the economic system and economics, logical-rational actions prevail, so equilibrium is determined by the relationships between "tastes and obstacles," i.e., between utility or demand and scarcity or supply. However, the social system and sociology exhibit a greater complexity, including both rational and non-rational actions, though the latter are prevalent. This statement implies, first, that economics would be a discipline of sociology, concerned only with a definite class of phenomena, and second, that by dealing with both rational and non-rational actions, sociology would contain an economic sociology.

16.3.1 Economic and Sociological Problems are Essentially Quantitative

Sociology would not thus be a science of leftovers-studying society minus the economy—a view held by most economists and many sociologists. While in pure

economics economic phenomena are investigated as independent of other social phenomena, economic sociology situates them within a broader social setting. Despite these differences, it is sometimes argued that economics and sociology have one thing in common that economic and all sociological problems are "essentially quantitative" (Pareto 1927, 37). (Pareto has somehow reversed this early position from Manuel de l'economie politique in his later *Treati de sociologie generate*, which can be deemed his more "mature" statement in this regard.) One can object that the convergence between economics and sociology is mainly substantive or qualitative rather than formal or quantitative in that both disciplines cope with the same "total social reality," despite diversity in their methods (Gurwitch 1958, 386).

16.3.2 Rational and Non-Rational Actions in Economics

The presumed quantitative nature of economic phenomena has been a rationale for neoclassical economists' advocacy of mathematical economics. Ironically, retracting from the quantitative status of all sociological phenomena, some of them, like Pareto, do not advocate mathematical sociology because of the assumed primacy of non-rational elements in the variables dealt with by sociology. At this juncture, it is perhaps time for some modern mathematical sociologists to reinterpret, for example, Pareto, the non-mathematical sociologist of non-rational actions (residues and derivations), rather than Pareto the mathematical economist of rational actions (tastes, obstacles, and system equilibria). For even his presumably "better" economics purified of non-rational elements does not imply a more adequate sociology than that explicitly presented. Simply the search is in vain for such sociology in Pareto's economics. Also one should perhaps remember the advice of sociology's founder-another mathematician turned sociologist - that mathematical methods are even more inadmissible in sociology than in any other discipline (Comte 1983, 258).

16.3.3 Economic Action as a Sub Discipline of Sociology

In terms of the breadth of their subject-matters, it may be more sensible to treat economics-defined as an analysis of economic motives, wealth, and welfare alone (as thought by Smith, Ricardo, Mill, Marshall, Pigou, and others), economic action (Weber), or the economic system (Pareto)-as a sub-discipline of sociology. Sociology would be the general social science dealing with social action or the social system in its entirety, rather than vice versa. However, such a treatment should not involve any sociological imperialism denying the legitimacy or independence of economics. Such imperialism is implied not only in Comte-Durkheim's sociologism, but also, somewhat ironically, in neoclassical economists' depiction of the latter as a "handmaid of sociology." (Wicksteed 1934, 783) This is because economics in the neoclassical tradition is a well-established and highly regarded social science, and because, after all, one

(economic) imperialism cannot be remedied by another. At best, only one kind of sociological "imperialism" seems acceptable in this regard. This is treating economics as what Mill, Keynes and some modern economists (Boulding 1969) consider the most "agreeable" branch of "moral" or social science and to that extent a "sociologically complex economics" or "sociological economics" (Lewin 1996; Solow 1990), rather than a specialty of physics and mechanics, or an applied mathematics and statistics. Such a treatment seems relatively non-controversial even within mainstream modern economics

No wonder some neoclassical economists "disagree with the notion of economics as [mathematical] physics" in favor of a "sociological economics" in light of the fact that "different social institutions impose different constraints on what constitutes acceptable behavior." (Solow 1990, 282) Here is particularly instructive and relevant Marshall's (1996, 130) dictum on the relationship between economics and mathematics: "(1) Use of mathematics as a short hand language, rather than as an engine of enquiry, (2) Keep to them till you have done. (3) Translate into English. (4) Then illustrate by examples important in real life. (5) Burn the mathematics. (6) If you can't succeed in 4, burn 3." Also pertinent are Marshall's advice that "economists change their perspective from physical to biological [or rather socio-historical] conceptions [to the effect that] ordinary static concepts (such as 'equilibrium') change in meaning and acquire a definite 'biological' tone when economists focus on the historical development of economic institutions" (Moss 1994, 33).

In the limiting case, the status of sociology as an auxiliary of economics would be correct only if the economic principle is treated as a perpetuum mobile. This treatment rests on the idea that human society is just the economy, all human behavior is driven by or subject to utility maximisation. So, "we are all entrepreneurs" (Kirsner 1992, 2)

16.3.4 Adaptive Function of Economy

The adaptive function of the economy within society facilitates the adaptation between resources and wants-i.e., to adaptation qua material production-rather than to the adjustment of society to the non- social environment. Such a specification of the social function of the economy as a differentiated social sub-system means that the economy makes sense only with reference to how it helps the larger system function. The economy has largely done its "job" when such adaptation has been performed, the output of which is placed at the use or evaluation of the social system. However, in retrospect, this conception of the relationship between the economy and society and between economics and sociology has been too "abstract and artificial." (Swed-berg 1987, 106; also Smelser and Swedberg 1994).

16.4 Important Approaches: Economics and Sociology

In general, the problem of relationship between economics and sociology has been resolved by four alternative approaches (Granovetter and Swedberg 1992, 2-3; Swedberg 1987, 120-122). The first is economic imperialism (as originally called by Boulding 1969; cf., also Tullock 1972) as epitomised in the extension by economists of the economic approach to human behavior. The second is the structural-individualistic (macro-micro) synthesis applying the economic approach, as shown by rational choice theory in sociology. The third is the new political economy with its emphasis on the interplay of economic and political processes, coping thus with the political factors of economic life and the economic determinants of political life. The fourth is socio-economics in the sense of a broad discipline that is "part economics and part sociology" (Etsioni 1991), which is sometimes called "political economics" as an attempt to fuse socio-political and economic analyses (Lowe 1965; see also Rima 1997), and of which "pure" economics and "impure" economic sociology (as called by Hirsch, Michaels, and Friedman 1987) would be integral parts.

16.4.1 Classical Sociological Approaches to Economics

Nevertheless, the program for economic sociology was more fully elaborated in classical sociology. While Jevons, Wicksteed and later Schumpeter view economic sociology as a branch of economics, classical sociologists treat it as an essential sociological discipline. But some of these, above all Comte and Simmel, are omitted even in the most exhaustive reviews of economic sociology (e.g., Granovetter and Swedberg 1992; Martinelli and Smelser 1990; Smelser and Swedberg 1994; Swedberg 1987). This is hardly justified. For instance, Comte's formulations of the relationship between economics and sociology have exerted profound impact on some neoclassical economists, such as Mill, Jevons, and Wicksteed, though they have been ignored by most other economists, except the Austrians and the old institutionalists. It was Comte (1983, 270-276) who argued that the "various functions of the social economy are naturally implicated in [social] relations of greater generality," and thus responsible for the strong argument for economic sociology in economics made by Mill, Jevons and Wicksteed. Elements of an economic sociology and partly of somewhat different "social exchange" theory-can also be found in Simmel's (1990) theories of exchange, value, and money, as well as in his general sociological theory. The general thrust of this theory is the argument that the economy is, contrary to the Marxist and utilitarian ("rational choice") assertions, merely a "superstructure in the purely sociological structure" (Simmel 1964, 16). Durkheim (1982, 172-174) maintained that the "economic factor" depends on social phenomena, because it is embedded in

institutions, norms, and values-the social embeddedness principle. Such ideas have significantly influenced segments of economic theory and research to the point that some modern economic sociologists (Piore 1996) regard him as the "father of economic sociology." This influence is shown by the creation of a distinct economic school (in France) guided by the premises of economic sociology (Marchale 1959; Nicolai 1960; Perroux 1960), as well as by the emergence of substantive economic anthropology (Polanyi 1968). The corresponding impact of Weber and Marx on economic sociology as well as economic theory have been well documented as well (Granovetter and Swedberg 1992; Martineli and Smelser 1990; Smelser and Swedberg 1994; Swedberg 1987, 1991).

16.4.2 Distinction between Classical and New Approaches

The distinction between the two is based on the view that while the first is classical and the new economic sociology residual, complementary, or too respectful vis-a-vis economic analysis, the second attempts to escape this status by centering on the hard core ideas of economic variables. Presumably, the new economic sociology's "key notion is that many economic problems that by tradition belong to the economists' camp can be fruitfully analysed with the help of sociology." (Granovetter and Swedberg 1992, 2) Although going thereby further, the new economic sociology would still coherently follow the sociological perspective on the economy as originated in classical economic sociology. Such a distinction between the old and the new economic sociology, though with some formal merits, is neither clear nor relevant from a substantive perspective. For the issue is not whether economic sociology centers on residual or core economic problems, because it does both. Rather it is whether it treats these problems from a sociological standpoint, as what Weber (1968, 63) calls "sociological categories of economic action," in light of the importance of "sociological relationships in the economic sphere." For example, this importance is illustrated by the role that "sociological relations" (Wieser 1967, 151) play in the domain of market values or prices, since these are results of social interactions, and thus "social values" (Aftalion 1948).

Many classical and earlier sociologists have investigated these social underpinnings of economic value, the "basis of all economic theory" (Smart 1966, 17), i.e., the "essence of economics" (Wieser 1956, 3). In addition to Marx's systematic-and partly sociological-theory of (labor) value, Weber, Durkheim, Simmel and other sociologists engaged in such investigations. For instance, Weber (1968, 108-9) characterised money prices as resultants of social actions and interactions, especially of the "conflicts of interests" and "power constellations" in the market and society as a whole. This social structuring of prices signifies that they, just as other economic variables, "are far from

being merely psychic phenomena" (Weber 1968, 64)-as implied in the marginalist (Austrian) theory of "subjective value"-and for that matter, physical, technological or market ones, but rather sociological entities par excellence. In a similar vein, Durkheim (1964, 381-383) emphasised the fact that economic values are caused by certain social conditions and produce definite "social effects." Hence, economic value, including market price, is simply "social value" that is "established [and changed] in the course of social relations" (Durkheim 1982, 27). The social underpinnings of value, prices, money, exchange and related market-economic categories are also explored by Simmel. Thus for Simmel, prices tend to emerge in processes of social interaction, economic exchange is but a particular "form of [social] inter- action" (1990, 179), and money is the "pinnacle of a cultural historical series of developments which determines its direction." (1990, 280) Even economically-minded sociologists (or sociologically-minded economists) characterised economic values or market prices as preeminently social facts (Schumpeter 1951, 5-10). So, the pricing process is viewed as "a social process," and the market as a "foremost social body" (Mises 1966, 315), i.e., a social institution that is the "most democratic" (according to Schumpeter 1950, 184). These classical investigations or insights into the social nature and construction of prices and other market variables are constitutive of economic sociology, especially of the "economic sociology of the market" (Boulding 1970, 153) which focuses on the institutional-social structure within which markets exist and function (Coleman 1986b; for a recent review, cf., Lie 1997) Since value is the "basic concept" of neoclassical economics (Weber 1949, 95), this indicates that the "old" economic sociology, including the classical sociology of markets (Safirovski and Levine 1997), was far from avoiding "core" economic problems.

16.5 Economic Sociology

Economic sociology can more plausibly be viewed as part of economics or of sociology than of social economics, unless the latter is stretched so as to include every economic discipline-e.g., economic theory, political economy, economic history, and economic sociology-becoming a new overarching or interdisciplinary economic science (Etzioni 1991; Smelser and Swedberg 1994; Swedberg 1991). However, this socio-economics could better be called economic sociology, even the moral theory of the economy, moral economy (Bell 1990) or "deontological" economics (Etzioni 1990), to the extent that it stresses the moral, normative, institutional and other social factors of economic life. For example, one of the best known taxonomies (Schumpeter 1955) of the branches of economics analysis includes economic sociology, but not socio-economics. Certain otherwise informative reviews of economic sociology (Granovetter

and Swedberg 1992; Smelser and Swedberg 1994; Swedberg 1987) imply that socio-economics encompasses economic sociology, alongside the other economic disciplines. In doing so, they in fact refer to economics as a whole and thus restate the taxonomy of economic analysis, but not to some social-economics that is essentially an alternative to-as is economic sociology or sociological economics in the narrow sense-economic theory.¹⁹ In retrospect, Mill's (1968, 136-139) "science of social economy" is open to such a broad interpretation of an overarching economic (and even sociological) analysis, as well as to more narrow interpretations, just as is Weber's "social economics" (discussed later). For instance, in one of these interpretations Mill's "social economy" is understood in the sense of an "institutionalist social economics" (Jensen 1996, 19), and thus as sociological economics or economic sociology, rather than as an all-embracing economic science.

16.5.1 Weber on Economic Sociology

The modern conception of socio-economics as well as its distinction from economic sociology can to a large extent be traced to Weber (Granovetter and Swedberg 1992; Swedberg 1991). He usually treats economic sociology (and economic history) as a constituent or even equivalent of social-economics, i.e., as the "analysis of the various ways in which non-economic social events influence economic events" (Weber 1949, 45). Thus understood, economic sociology would be largely isomorphic to social-economics in terms of the subject-matter and basic assumptions. Still Weber is not fully consistent in this regard. At one point, social-economics is defined as an overall science that includes every economic discipline, for instance economic sociology, economic history, and pure economics. At other points, however, Weber's "social economics" signifies simply economics, just as in the Austrian school and generally German discourse. (The same can be said of the modern specifically German expression "social market economy" in the sense of an economic ontology or praxis as distinguished from "social economics" as an epistemology or theory.) Mostly it seems difficult to see what is the difference between socio-economics and economic sociology in Weber's framework. Although Weber does not explicitly specify the subject matter of economic sociology, it is implied that the latter amounts to the same type of analysis as the former: the social determination-not in the sense of determinism but structuring or influencing-of the economy. Then the issue of economic history remains. But this is hardly a real issue, for it is implausible to distinguish economic sociology from socio-economics on the grounds that only the latter includes such a history. The historical forms of the social determination of economic life are by assumption included in the realm of economic sociology that offers a "general historical theory" (Piore 1996, 752). Hence any substantial difference between the two evaporates, unless

social economics is understood as something other than an analysis of the social constitution of economic life-namely, either an all around economic science or simple economics.

16.5.2 Rational Choice Theory : Economic Sociology

Economic sociology constructs the status of economic variables as sociological categories, while Rational Choice theory treats social phenomena as economic variables. Substitution of the latter perspective for the former would result in the transformation of economic sociology into a subsidiary of-and its eventual dilution into-rational choice theory. Moreover, the proposal for a rational choice perspective on economic sociology confuses the subject-matters of the two: The subject-matter of rational choice theory is society or the non-economic realm in its economic aspects-pure economics dealing with economic behavior per se-and that of economic sociology is the economy in its social setting. As a result, a rational choice perspective, as an extension of the economic approach, on economic sociology does not make sense either in the formal (or logical) and in the substantive (theoretical) sense. In its extreme versions of economic imperialism, this approach may not be sustainable even for general sociology, either. The whole proposal seems to be underscored by confusions between a rational choice perspective on sociology generally-something that may be logically possible though not always theoretically viable-and on economic sociology, which is logically self-contradictory and theoretically implausible. In a nutshell, pleas for a rational choice approach to economic sociology are tautological by positing an economic perspective on the economy, while economic sociology is by definition a non-economic social perspective on the economy. As such, they are redundant for such a perspective is by assumption already used by pure economics. They are epistemologically illegitimate and leading to elimination of one established social science discipline (economic sociology) by another (rational choice theory).

16.6 Conclusion

It was widely believed that economic sociology required its own distinct identity, which could distinguish it not just from mainstream neoclassical economics but also from other approaches to economics, such as socio-economics and "old" institutionalism. It is undeniable that the number of studies in economic sociology has gradually increased during the 1990s. Today, for example, there are a variety of views on how markets work, which is a rising area in financial sociology. New economic sociology has made a concerted effort to incorporate historical sources as well as a comparative perspective into its wider objective. The use of organisation theory to investigate the structure of enterprises has been particularly effective in new economic sociology

16.7 Summary

This unit, Sociology of Economic life has explained the meaning of Economic action as essentially maximising, rational behavior, and everything else belongs to "non economic" action. The economic action is a type of behavior that has to do with choosing among scarce means that have alternative uses. It has described the different contributions to this subfield of sociology which gives you the understanding about economic sociology as developed by Swedberg and the notion of the information and socially situated economic action described by Mark Granovetter. Further, you learnt about the theory of Weber and Marx. Finally, this section considers the field's expansion in the socio-cultural and economic atomized existence, as well as other views.

16.8 Questions

1. How would you explain the idea of economic sociology?
2. Explain how economy and society logically embed with each other?
3. Clarify the concept of economic activity and show how it is related to social action?
4. What does Mark Granovetter mean by "Social Construction of Economic Institutions"?
5. Examine how the classical method may be used to describe the function of the economy in society.
6. Find out the differences between the role of classical and new approaches in explaining the economy in social life.
7. Discuss Weber's Economic Sociology concept.
8. How has the Rational Choice Theory aided in the understanding of Economic Sociology?

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UNIT–17 : Economic Institutions: Division of Labour, Property & Market

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17.0 Learning Objectives

The major purpose of this chapter is

- To determine what the phrase "economic Life" implies in the social sciences and how to analyse it consistently. Economy is the social institution that organizes a society's production, distribution and consumption of goods and services. The economy system is
- The complex of interrelated institutions through which the economic activity of man is expressed. Economic Institutions like wise concerned with
- Theoretical orientations of Division of Labour, Property & Market.

17.1 Introduction

Every society needs to make effective use of the scarce resources. Goods and services have to be produced to meet the basic needs such as food, clothing, shelter, etc. Economic institutions are responsible for organizing the production, exchange, distribution and consumption of goods and services. Economic institution is also one of the basic social institutions. For the sake of survival each society has an economic system ranging from simple to complex. Economy is the social institution that ensures maintenance of society through the production, distribution and consumption of goods and services. Economy is the social institution that organizes a society's production, distribution and consumption of goods and services. The economy system is the complex of interrelated institutions through which the economic activity of man is expressed. economic institutions, those institutions that perform economic functions are covered; of these, three sets can be identified:

- Establishing and protecting property rights;
- Facilitating transactions; and,
- Permitting economic co-operation and organisation

17.2 Division of Labour

The division of labor is not of recent origin, but it was only at the end of the eighteenth century that social cognizance was taken of the principle, though, until then, unwitting submission had been rendered to it. To be sure, several thinkers from earliest times saw its importance; but Adam Smith was the first to attempt a theory of it. Moreover, he adopted this phrase that social science later lent to biology.

Nowadays, the phenomenon has developed so generally it is obvious to all. "We need have no further illusions about the tendencies of modern industry: it advances steadily towards powerful machines towards great concentrations of forces and capital, and consequently to the extreme division of labor. Occupations are infinitely separated and specialised, not only inside the factories, but each product is itself a specialty dependent upon others. But the division of work is not peculiar to the economic world; we can observe its growing influence in the most varied fields of society. The political, administrative, and judicial functions are growing more and more specialised. It is the same with the aesthetic and scientific functions. It is long since philosophy reigned as the science unique; it has been broken into a multitude of special disciplines each of which has its object, method, and thought. "Men working in the sciences have become increasingly more specialised"(Durkheim [1893] 1964, pp.39-40).

17.2.1 Theoretical Orientations

In *The Wealth of Nations* (1776), Adam Smith argued that division of labours enhance the productive powers of labour and hence the capacity for wealth creation. Sociological appropriations of the concept by Durkheim and Marx also highlight specialisation, individuation and consequent interdependence; they do not of course connect these in the same manner. Their concern is rather with the socio-economic-political underpinnings of the division of labour and its accompanying forms of cohesion, inequality, power, and morality or ideology. Durkheim's (1964[1893]) primary interest was the effect on social solidarity of different kinds of division of labour. Modern industrial societies were characterised by what he termed 'organic solidarity', deriving from the complementary difference and interdependence that resulted from functional differentiation and specialisation. Individuation and difference produced by the division of labour become the basis of social solidarity, rather than undermining it, and cohesion is a result of enhanced social ties. By contrast, Marx ([1887]1976), and the later Marxist tradition, understood the division of labour as inherently contradictory. Subdivision and fragmentation of tasks carry the potential for asymmetric relations of power, skill, knowledge, and economic reward. Writing in the period when factory manufacture superseded handicraft production, Marx drew attention to the demise of the all-round craft worker and vast expansion in the proportion of unskilled workers, which led to the emergence of a hierarchy of labour powers with a corresponding scale of wages, and ever-expanding divide between rewards to labour and capital (Glucksmann, 2009, p.881).

Later extensions of the concept, attempting to account for new realities, tended to take as given the detailed division of occupations in economic life that had prompted classical thinking. Attention shifted to the ways this connects with other social or

economic divisions and operates at a variety of levels. Uneven economic development between countries, already prefigured in Marx's analyses of colonialism and Lenin's of imperialism, became a major focus extending the scope of the concept to the global plane. Much attention was devoted to the ever-changing and complex relations of unequal power and wealth linking different regions and countries, the by-product of spatial and international divisions of labour where different places specialise in different fields of work. Internationalising the division of labour threw into sharp relief colonial and other relations of inequality, between more or less 'developed' countries that are now characteristic of globalisation (See Cohen, 1987; Dicken, 2007).

From the 1970s a new appreciation of the unequal allocation of labour was stimulated by the insights of feminist and anti-racist movements that the technical division of labour was almost always overlaid by gender, ethnic or other principles of social difference.

17.2.1.1 Adam Smith on Division of Labour

In 'The Wealth of Nations', Adam Smith claimed that the division of labour simultaneously to two different things, first one is a social division of labour and second one is organisational division labour. The essential point is that the organisation of work in the firm is the logical counterpart of the social division of labour, and that these reflect two inseparable aspects of the process of the division of labour. Smith is concerned with organisations as well as with markets, each functioning according to the same principle. There are indeed two different interpretations of the division of labour in Wealth of Nations: one 'market-oriented' and the other 'organisation oriented' (Vincent-Lancrin, 2003, p.209). The 'market-oriented' interpretation asserts that the division of labour explains the formation of a specialised market and that its strength lies in the idea of the 'invisible hand'. The 'organisation-oriented' readings point out the importance of organisation analysis for understanding the economic system. Smith does not believe that the organisational and the social divisions of labour are fundamentally different. However, he does recognise some variation between them and describes different states of the division of labour within the firm, both liberal and capitalist.

The two points are developed in the first and second books of *The Wealth* respectively and, although Smith does not always explicitly link them with social well as the organisational divisions of labour.

First, the division of labour should be understood as the 'application of labour' (or organisation of work) which enables an increase in workers' skills, dexterity and judgment. According to Smith (WN, I.i.5-9), three reasons explain why the division

work raises the productivity of labour: (1) specialisation improves the dexterity of work men; (2) specialisation enables workers to produce more by avoiding the loss of time from one task to another; (3) the division of labour enables the usage and proper machinery, to speed up and facilitate the work. Second, Smith sees labour as divided in two kinds: productive and unproductive. Labour is said to be productive when it fixes or realises itself in a particular subject or marketable commodity whereas, to the contrary, the services of unproductive labour 'generally perish in the very instant of their performance, and seldom leave any trace or value behind them for which an equal quantity of service could afterwards be procured' (WN, II.iii.1).

17.2.1.2 Karl Marx on Division of Labour

Marx believed that the division of labour which industrialisation presupposes is found first and foremost in classical manufacture. The division of labour, he stated, developed throughout the period of nine-teenth century with the development and progress of manufacturing and industry. According to Marx, the division of labour led to a 'particular sort of cooperation' which he called 'complex cooperation' (Marx, 1887, p. 455). As soon as division of labour takes place, he reasoned, there is an important change from manufacturing based simple cooperation to complex cooperation. According to Marx, complex cooperation occurred when the skills formerly embedded in the worker become a function of the process of the division of labour itself. Previously, guilds had restricted the division of labour in order to preserve the integrity of distinct trades and crafts. But, as soon as these trades were combined under one roof, the qualitative skill formerly belonging to the worker became the property of the combined division of labour and this robbed workers of their skill. As an example, Marx drew on the carriage trade. He said that formerly this trade involved various handicrafts and skills; coach work, enamel work, carriage work, upholstery and wheel right. Before capitalist production, each of these operations were specialised trades regulated by guilds in order to maintain their separation from each other. As soon as the division of labour is established, however, the carriage maker becomes 'exclusively occupied with making carriages' (Marx, 1887, p. 454). As a result, individual trades immediately lost their specialised skills which concentrated their combined activity exclusively in making carriages. The development of the division of labour, said Marx, presides over the breakdown of handicraft skills and the 'decomposition of handicrafts into different and partial operations' (Marx, 1887, p. 458). Labour as such becomes transformed into a 'lifelong partial function' (Ibid).

17.2.1.3 Durkheim on Division of Labour

The Division of Labour in Society was Durkheim's first major theoretical work.

Which is the first and foremost a study that developed a way of thinking about society that was completely new and, as such, it had several key aims.

First, Durkheim wanted to make a distinction between what he called the 'social division of labour' in contrast to the 'economic division of labour'.

Second, he wanted to make inquiries into the nature of the social links connecting individuals to society and social bonds which connect individuals to each other.

Third, he wanted to examine the specific origin of the social links and bonds in order to see in what way they were related to the overall system of social cohesion in society, and the extent to which this cohesion was formed within the different social groups he studied.

Fourth, Durkheim wanted to look at the extent to which the system of social links change as the structure of society became more complex and subject to changes in the division of labour.

The term 'the division of labour' is used in social theory to refer to the process of dividing up labour among individuals in a group so that the main economic and domestic tasks are performed by different people for the purposes of the collective maintenance of society. Durkheim believed that the division of labour was therefore the result of a social process taking place within the structure of society rather than the result of the private choices of individuals or the result of organic traits that emerged during evolution (Durkheim [1893] 1964, pp. 201-207).

17.3 Property & Market

The concept of property occupies an important place in human life, because it is virtually impossible to live without the use of material objects which constitute the subject-matter of property. In its widest sense, all animate or inanimate things belonging to a person are included in the term property; for instance, a person's life, liberty and estate may also be considered his property. However, it has now become obsolete to interpret the term "property" in this comprehensive sense. In a limited sense, property covers only a person's proprietary rights as opposed to his personal rights. Thus land, chattels, shares and debts due to him constitute his property. In modern times, apart from its common use, "property" is used in a wider sense also. In its widest sense it includes all the rights which a person has. Thus, a person's life, liberty, reputation and all other claims which he might have against other persons is his property. In the line of jurisprudence property means... 'the highest right a man can have to anything being that right which one has to lands ornaments, goods or chattels which does not depend on another's courtesy. It includes ownership, estates and interests in corporeal

things, and also rights such as trade-marks, copyrights, patents and even right 'in personam' capable of transfer or transmission, such as debts, and signifies a beneficial right to or a thing considered as having a money value, especially with reference to transfer or succession, and of their capacity of being injured' (R.C.Cooper V. Union of India, AIR 1970, SC 564).

Ownership involves socially recognised economic rights. Property is that over which such rights obtain, and owners are those who possess the rights. In a sense, property concerns the dyadic relationship between people and things. Sir William Blackstone famously defined property as: "... that sole and despotic dominion which one man claims and exercises over the external things of the world, in total exclusion of the right of any other individual in the universe". His definition poses private ownership as an individual's exclusive control over property. The right to control, govern, and exploit things entails the power to influence, govern, and exploit people (Roemer 1989).

Swedberg (2003, p. 203) observes that property has not been much studied by sociologists. By contrast, economists have long been interested in property rights. Sociology's neglect is unfortunate, for the founders of sociology knew that property rights have great sociological relevance (Weber 1981; Marx & Engels 1947, pp. 79-81; Durkheim 1992, p. 121-170). The most obvious connection, Marx recognised, is with social stratification. Ownership constitutes one of the most enduring dimensions of inequality (Earle 2000). Property in modern societies is maintained by the legal system, and so directly implicates law and the state, but informal property rights emerge as practices decouple from formal institutions. Many instances of dramatic political change involved shifts in property rights (e.g., the Russian and French Revolutions). In addition, to exchange property rights is the elemental market transaction, and so property grows in importance with expanding markets.

17.3.1.1 Objects of Property

What can be owned? Different societies give different answers, but none permits everything to be owned. The inclusion of new objects or the exclusion of old ones is a process variably shaped by political, cultural, economic, and technological factors. Changes in the objects of property depend on commodification and de commodification, and on permeable boundaries between legal and illegal markets. Early objects of property were physical things like land and cattle, but property now includes many intangibles (bonds, shares, trademarks, patents). An overall shift occurred away from tangible and toward intangible forms of property, but intangible property has existed for centuries. Why some objects can be owned and others cannot depend on culture and formal law. Objects possessing powerful, non commercial social meanings are

often deemed inappropriate for ownership. For example, traditional Native American conceptions of land clashed with those of European settlers, who viewed land as private property (McEvoy, 1998). The appropriateness of property status for objects is more than just dichotomous, however, for even granted that something can be owned, legal rules and social norms still influence how it is owned. For example, medieval scholars did not doubt that things could be property, but they disputed whether God gave the things of nature to be owned privately or communally (Wood 2002, pp. 17-41).

17.3.1.2 Subjects of Property

Who may own? The set of potential owners varies across societies. One important difference lies between natural and fictive persons, but these two groups subdivide further. No society grants full ownership rights to all natural persons, and the rights of fictive persons often differ across public/private or profit/nonprofit lines. Patriarchy and property are closely connected. Under traditional common law, ownership rights varied by gender, and upon marriage a wife's property became her husband's (marital status did not matter for men). Marriage was not just a liability for women, however, because widows had special claims on family property, and marriage settlements also offered wives some protection. In general, differences over property rights have been a central axis of gender inequality (Salmon 1986, Staves 1990) and remain so in much of the developing world (Agarwal 1994).

17.3.1.3 Implications of Property

The implication of property shall be further divided into two segments, these are: - Inequality and Performance

17.3.1.3.1 Inequality

Property rules govern access and control over things of value, and consequently undergird social inequality. Most stratification research focuses on occupational and income differences. Property rights matter most for wealth inequality, which tends to be more extreme and stable than income inequality. Inheritance concerns how unequal accumulations of property are transmitted down through succeeding generations. Sometimes, property rights are used to alter patterns of social inequality. Dramatic changes like mass privatisation in the transition economies of the 1990s, or the abolition of feudal property during the French Revolution, were clearly intended to alter the social distribution of wealth. Other manipulations have been more specific. The extent to which wealth depends on inheritance (as opposed to savings) is a matter of some debate, but by most estimates a considerable proportion of wealth is inherited. The reproduction of inequality depends on the heritability of assets, which in turn

depends on rules of inheritance, demographic and economic circumstances (number of surviving children, divisibility and liquidity of assets), strategies of inheritance, and the unit of social reproduction (nuclear families, patrilineages, villages, etc.). Differences in property ownership beget different political interests. For example, most of the world's intellectual property is owned by Europe, the United States, and Japan. Developing countries "consume" intellectual property. This difference emerges in trade negotiations where advanced countries want strong Intellectual property rights (IPR) and developing countries seek weaker rules. Sub-Saharan African countries want weaker patents for HIV drugs so that they can offer cheaper medical treatment to their citizens. Similar differences exist over copyright rules and intellectual piracy.

Do you know ?

Intellectual property rights are the rights given to persons over the creations of their minds. They usually give the creator an exclusive right over the use of his/her creation for a certain period of time.

(Source : <https://www.google.co.in/>)

17.3.1.3.2 Performance

Property rights determine who controls which resources and set the incentives that property owners face. According to the "Coase Theorem," when there are no transaction costs, the initial allocation of property rights makes no difference for outcomes; rational actors will simply do what is most efficient (Coase 1960). Of course, transaction costs are never Zero (and are seldom trivial), so property rights matter. This means that property rights influence economic performance, both within firms and without. Economists studying the connection between property rights and efficiency recommend private property as best for economic growth and have argued that property rights matter for resource exploitation, investment, growth, firm performance, credit, and innovation.

17.3.1.4 Intellectual Property

Intellectual property illustrates the political, economic, legal, and cultural processes through which property rules in capitalist economies are extended into new realms. Intellectual property rights have existed since the first patent laws (Venice passed one in 1474), but recent developments in biotechnology, computer software, and information processing have subverted older rules. Intellectual property rights today reflect a set of changes: new objects and subjects of property, a shifting locus of enforcement, and new political coalitions favoring (or opposing) particular property rights. These changes unfold at the national and international levels. Consider the objects of intellectual property: thanks to scientific and technological progress, biotechnological and

pharmaceutical researchers invent products with enormous commercial potential. But to capture those profits, new products must be brought within intellectual property law and constituted as legitimate objects of property. Similarly, the development of computers and networks has not only supported a large software industry, but also made it much easier to copy and distribute digital products (Shapiro & Varian 1999, pp. 3-4). To profit, producers of informational products seek effective enforcement of their property rights and deterrence of "cyber-piracy."

17.3.2 Market

The sociology of markets has been one of the most vibrant fields in sociology in the past 25 years. Starting with a trickle of empirical and theoretical papers, it has grown to a river. One of the seminal pieces in the field, Granovetter's (1985) "Economic Action and Social Structure: The Problem of Embeddedness" has been cited over million times since its publication, making it the most cited paper in sociology in the postwar era. Although sociologists have made significant progress their attempts to understand the origins, operations, and dynamics of markets as social structures, the primary perspectives that have emerged tend to remain separate and distinct at the theoretical level.

To make clear picture of Markets, here we need to distinguish the sociology of markets from the broader project of economic sociology. Following Polanyi (1957), economic sociology is the general study of the conditions of the production and reproduction of social life. Such a study would include studies of consumption, the family, and the links between states and households, schooling, and economic life more broadly (Smelser & Swedberg 2005, p. 3). The sociology of markets refers more exclusively to the study of one kind of social exchange, that of markets, and to the structuring of that kind of social exchange, under the conditions we call capitalist. This focus includes the study of firms, product markets, and labor markets as well as their broader linkages to suppliers, workers, and states and the role of local cultures (i.e., local in the sense of belonging to a particular market), systems of meanings insofar as they influence what products are, and the role of morality in the generation of particular kinds of markets.

The literature has often been divided into three theory groups (Fourcade-Gourinchas 2007) according to whether scholars use (a) networks (b) institutions (c) performativity as explanatory mechanisms in the emergence and ongoing dynamics of markets. Scholars in the network tradition have focused on relational ties between actors as the material of social structure. Institutionalists focus on how cognition and action are contextualised by market rules, power, and norms. The performative school of thought

views economic action as a result of calculative processes involving the specific technologies and artifacts that actors employ.

17.3.2.1 Market: Neo Classical Theory

The variety of approaches has made providing a sociological definition for markets difficult. For neoclassical theory, markets simply imply exchange between actors for goods or services. These exchanges are usually thought to be fleeting, with price (i.e., the amount of a commodity that is exchanged for another using a generalised medium of exchange, i.e., money) determined by the supply and demand for the commodity. From the point of view of the sociology of markets, the problem is that this type of exchange already shows a great deal of social structure. Market actors have to find one another. Money has to exist to allow market actors to get beyond bartering nonequivalent goods. Actors have to know what the price is. Underlying all exchange is that both buyers and sellers have faith that they will not be cheated. Such faith often implies informal (i.e., personal knowledge of the buyer or seller) and formal mechanisms (i.e., law) that govern exchange. Furthermore, market actors are often organisations, implying that organisational dynamics influence market structures. For sociologists, market exchange implies a whole backdrop of social arrangements that economics does not even begin to hint at. But the sociology of markets goes further than just questioning the institutional embeddedness of an anonymous market. It is prepared to unpack the black boxes of exchange, competition, and production. Sociologists begin by realizing that market actors are involved in day-to-day social relationships with one another, relationships based on trust, friendship, power, and dependence. For the modern sociology of markets (Durkheim 1964), unstructured, haphazard, one-shot, anonymous social exchange is not a market. Instead, markets imply social spaces where repeated exchanges occur between buyers and sellers under a set of formal and informal rules governing relations between competitors, suppliers, and customers. These fields operate according to local understandings and formal and informal rules and conventions that guide interaction, facilitate trade, define what products are produced, indeed are constitutive of products, and provide stability for buyers, sellers, and producers. These market places are dependent on governments, laws, and larger cultural understandings supporting market activity. The first thing sociology of markets suggests is that market actors will develop social structures to mediate the problems they encounter in exchange, competition, and production.

17.3.2.2 Marx on Market

Within the orthodox Marxist tradition exchange has tended to be seen as no more than the passive reflection of the social relations of capitalist production, the sphere

in which the capitalist exercises his 'cunning right of the strong' (Engels, 1843). From this perspective capitalist exploitation appears as no more than the expression of the greed of the capitalist or of the essential rapaciousness of capital. Although Marx did indeed describe the market as the realm within which the essence of capital manifested itself, the relationship between essence and appearance was not that of a deterministic reductionism. For Marx, the appearance is the form of existence of the essence: the essence of capital is only realised in the interaction of particular capitals in the sphere of exchange.

'Conceptually, competition is nothing but the inner nature of capital, its essential character, manifested and realised as the reciprocal action of many capitals upon each other; immanent tendency realised as external necessity.) (Capital exists and can only exist as many capitals; hence its own character appears as their reciprocal action on each other.)' 'A universal capital, not confronted by alien capitals with which it exchanges ... is ... an impossibility. The mutual repulsion of capitalists is already inherent in capital as realised exchange value' (CW28, 350). It is the market that imposes its capitalist character on each individual capital. Thus, for Marx, the understanding of the market was central to his analysis of the capitalist mode of production and to his critique of political economy. This means that Marx's account of the market cannot be divorced from his critique of capitalism as a whole. The market is no mere instrument of capitalist power, but the alienated form through which the capitalist as much as the workers is subjected to the anonymous power of capital. The capitalist no less than the worker is subject to the pressure of competition, and the fate of the capitalist no less than that of the worker is subject to the judgement of the market. The action of the individual capitalist is not an expression of his individual will, but of the social character of capital, and its social character is only imposed on the individual capital through its insertion into the sphere of exchange, as the individual capitalist seeks to valorise his capital.

The class struggle over production is not a matter of the subjective motivation of the capitalist, but is imposed on every capitalist by the pressure of competition, which is the expression of the tendency for capitalism to develop the forces of production without regard to the limits of the market. Capitalist production is not marked by the subordination of social production to social need, even as that is expressed in the restricted form of 'effective demand' in the market, for the purpose of the capitalist is not to meet social need, but to expand his capital. The pressure of competition forces every capitalist constantly to develop the forces of production, which leads to the general tendency for capital, in every branch of production, to develop the forces of production without limit and, in particular, without regard to the limits of the

market. This tendency to the overproduction of commodities and the uneven development of the forces of production is only overcome by the expansion of the world market and the development of new 'needs', and by the regular destruction of productive capacity and redundancy of labour in the face of crises of overproduction. The development of capitalist production is subject neither to the needs of the associated producers, nor to the needs of the latter as consumers, but to the contradictory logic of the production and accumulation of surplus value.

The tendency for capitalist competition to impose on every capitalist the need to reduce labour time to a minimum gives rise to the two fundamental features of capitalist development: on the one hand, the tendency to increase the productivity of labour to an extent never before seen; on the other hand, the tendency to increase productivity not for the benefit of, but at the expense of, the mass of the population. Thus the increased productivity of labour is not expressed in a growing abundance of goods for the mass of the population, nor in a reduction in the burden of work. Instead it is expressed in a growing accumulation of capital at one pole of society and growing poverty (relative if not absolute) at the other. It is expressed in an increased burden of work for those with jobs, alongside a growing 'reserve army of labour' who have been made redundant and are condemned to idleness.

The depreciation of machinery in the course of accumulation is matched by the throwing of workers onto the scrap heap. The more rapid is 'progress' the more rapidly is work dehumanised and workers degraded, exploited and cast aside. Capitalism makes possible unprecedented increases in the productive powers of labour. These increases are associated with an increasing scale of production, the application of machinery and the application of science. These are characteristics of the greater socialisation of production achieved under capitalism. But this socialisation only takes place under the direction of capital, and the product of socialised labour is appropriated by the capitalist. Thus the social powers of labour, which appear only when labour is organised socially, appear to be the powers of capital. Moreover, since capital in turn is seen as a thing and not a social relation, these powers of capital seem to be inherent in the means of production, so that productivity appears as a technical characteristic of the means of production and not as a social characteristic of the labour process.

17.4 Conclusion

The study of economic institutions and the concept of the division of labour is not new, but it was not until the beginning of the nineteenth century that societal awareness of the principle was adopted, albeit before then, unconscious obedience had been

offered to it. To be true, various intellectuals from the beginning recognised its significance, but Adam Smith was the first to develop a theory of it. Furthermore, he coined a concept that was later applied to biology by social science. Nowadays, the phenomenon has spread so far that it is evident to everyone. We need have no more illusions about contemporary industry's tendencies: it develops inexorably toward strong machines, large concentrations of forces and capital, and, as a result, excessive division of labour. Occupations are infinitely distinct and specialized not only within the works, but each product is a specialty that is dependent on others. However, the division of labour is not limited to the economic sector; we can see its rising effect on a wide range of other disciplines. Politicians, administrators, and judges are becoming increasingly specialised. The aesthetic and scientific functions the same follow path. Philosophy has long ceased to be the sole science; it has been subdivided into a plethora of distinct disciplines, each with its purpose, method, and idea.

17.5 Summary

This unit, *Economic Institutions: Division of Labour, Property & Market* has explained the meaning of economic institution, essentially the idea of division of labour, property relations, and how everything else belongs to market-driven forces and action. Markets are more specifically concerned with the study of one type of social exchange, as well as the structure of that type of social trade under capitalist conditions. The division of labour creates differentiation and diversity, which strengthens rather than weakens social solidarity, and cohesiveness is the outcome of stronger social relationships. The division of labour, according to Marx, led to a "special kind of collaboration, which he dubbed "complex cooperation. He reasoned that once the division of labour occurs, there is a significant shift from manufacturing-based simple collaboration to complex cooperation.

Property rules govern access to and control over valuable items, and so underpin social inequity. The majority of stratification research focuses on inequalities in occupation and income. Wealth inequality, which is more acute and durable than income disparity, is where property rights are most important. Capitalism allows for unparalleled advances in labor's productive capacity. These rises are linked to a growth in manufacturing size, the use of machines, and the application of science.

17.6 Questions

1. How would you describe the concept of labour division?
2. How did Adam Smith describe the concept of division of labour?

3. What is Karl Marx's explanation of the concept of division of labour?
4. Explain notion of division of labour as applied by Durkheim?
5. What are your thoughts on the concept of property and its significance in society?
6. What would you say about intellectual property and its significance in society?
7. What does the market mean to sociologists?
8. What is the difference between a sociological and a Marxist approach to markets?

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UNIT-18 : Economy as a Social System : Max Weber and Talcott Parsons

Structure of the Unit :

- 18.0 Learning Objectives
- 18.1 Introduction
- 18.2 Max Weber
 - 18.2.1 Economic Action
 - 18.2.2 Rational Political Action is Economically Oriented
 - 18.2.3 Relation between Economy and State
 - 18.2.4 Rational Economic Action Applied for End
 - 18.2.5 Weber on Economic Development
 - 18.2.6 Weber on Non-Economic factors in Capitalist Development
 - 18.2.6.1 Rationality
 - 18.2.6.2 Calculable Law
 - 18.2.6.3 Gain Spirit
- 18.3 Talcott Parsons
 - 18.3.1 AGIL Scheme
 - 18.3.1.1 Four Inter-Related Sub-System
 - 18.3.1.2 Organisation as a Function of Sub-System
 - 18.3.2 Economic as a Theory of Social System
 - 18.3.3 Parsonian Methodology
 - 18.3.4 Methodological Formalism
 - 18.3.5 Parson : Theory of Money
 - 18.3.5.1 Money : Four Degree of Freedom
 - 18.3.5.2 Effect of Institutionalization of Money
- 18.4. Conclusion

18.5 Summary

18.6 Questions

18.7 References

18.0 Learning Objectives

This unit does the following :

- Describes the economy as a social system, and examines its numerous subsystems.
- Compares and contrasts Weber's and Parson's economic ideas, as well as essential economic concepts such as the economic system, money, rationality, money and the market.
- Presents several heuristics derived from Talcott Parson's and Max Weber's economic ontologies that might be useful for understanding modern economics' methodological and theoretical tools.

18.1 Introduction

The idea of treating the economy as a social system seems at first glance to be plausible, reasonable, even obvious. However, on a second look, considerable difficulties come to light. With one important exception (Parsons and Smelser 1956), no sociological theory has claimed to interpret the economy as a whole. Theories that try to understand society itself as an economic enterprise for the organization of production and for the distribution of mutual benefits fail to accomplish this task. Generally, sociologists believe that they can turn economic research over to the economists. Furthermore, the very concept of a system is still in need of adequate clarification. On the one hand, there is the familiar, traditional European way of describing a whole as more than the sum of its parts. On the other hand, there is the tendency, which goes back to the late Middle Ages, of construing a system as a logically consistent network of relations. This second interpretation seems to be prevalent in economics. For the aims of sociology, however, both approaches are probably insufficient: the first is too unclear, while the second is too clear to be applicable to highly complex, self-constituting contexts of meaningful interaction.

18.2 Max Weber

The fact that Weber introduces his concept of the economy as a part of the logical sequence of systematic definitions on economy as it appeared in the book 'Economy and Society'. Weber starts with the following definition: "Action will be said to be

economically oriented so far as, according to its subjective meaning, it is concerned with the desire for utilities (Weber 1947, p. 166). Weberian notion of subjective meaning which is crucial for his interpretive approach figures prominently in his definition of sociological science. According to Weber, sociology is a science which attempts the interpretive understanding of social action in order thereby to arrive at a causal explanation of its course and effects.(Weber 1947, p. 88). Thus, Webers essential starting point is an acceptance of the subjective point of view, of *verstehende Soziologie*, i.e. a system of sociological categories couched in terms of the subjective point of view, that is of the meaning of persons, things, ideas, normative patterns, and motives from the point of view of the persons whose action is being studied (Weber 1947, p. 140).

18.2.1 Economic Action

Economic action (*Wirtschaften*) is a peaceful use of the actors' control over resources, which is primarily economically oriented (Weber 1947). The term economically oriented action, which will be applied to two types: (a) every action which, though primarily oriented to other ends, takes account, in the pursuit of them, of economic considerations; that is, of the consciously recognised necessity for economic prudence. Or (b) that which, though primarily oriented to economic ends, makes use of physical force as a means. It thus includes all primarily non-economic action and all non- peaceful action which is influenced by economic considerations. Economic action involves a conscious, primary orientation to economic considerations. It must be conscious, for what matters is not the objective necessity of making economic provision, but the belief that it is necessary.

18.2.2 Rational Political Action is Economically Oriented

Weber's stress on coercion or violence as a distinctive feature of the state is in full accord with many other thinkers views, Marx, Engles, Trotsky, Znaniecki, to mention but a few. Weber makes use of the concept just introduced when he points out that "Every course of rational political action is economically oriented with respect to provision for the necessary means, and it is always possible for political action to serve the interest of economic ends"(Weber 1947). Similarly, while Weber points out that though it is not necessarily true of every economic system, certainly the modern economic order under modern conditions could not continue if its control of resources were not upheld by the legal compulsion of the state; that is, if its formally legal rights were not upheld by the threat of force. But the fact that an economic system is thus dependent on protection by force does not mean that it is itself an example of the use of force. It is entirely untenable to maintain that economic action, however defined, is only a means by contrast, for instance, with the state, as an end in itself. This

becomes evident from the fact that it has been possible to define the state itself only in terms of the means which it attempts to monopolise, the use of force. If anything, the most essential aspect of economic action for practical purposes is the prudent choice between alternative ends.[...] Not every type of action which is rational in its choice of means will be called rational economic action, or even economic action in any sense. (Weber 1947: 211).

18.2.3 Relation between Economy and State

It is arguable that Weber's account of the relationship between the economy and the state is not only theoretically correct but also relevant in the context of the recent economic crisis. To be able to speak of the economic role of the state, one must first distinguish the relevant societal structures analytically. If B is part and parcel of A, how could B be seen as influencing A? Weber's correct view in that regard gives one analytical tools with which to understand massive state interventions in the economy that took place and still are taking place in the US ,Uk and many other countries subject to the vicissitudes of the world crisis. Moreover, Weber's treatment of the distinction between the state and the economy enables one to view in adequate theoretical terms the socio-economic character of a variety of government actions. For instance, according to Weber's frame of reference, acts of de facto or de iurenationalisation of e.g. banks do not transform the latter into the state institutions, do not remove them outside the bounds of the economy. As long as a given enterprise or financial institution performs its economic function, is engaged in a given kind of economic action, it belongs to the economy, no matter what its legal status is. Thus, Weberian distinctions are very useful also for understanding the modern economy, not excluding the most recent extraordinary events.

18.2.4 Rational Economic Action Applied for End

On these grounds Weber clarifies some further concepts: "Economic action is primarily oriented to the problem of choosing the end to which a thing shall be applied; technology, to the problem, given the end, of choosing the appropriate means. For purposes of the theoretical definition of technical rationality it is wholly indifferent whether the product of a technical process is in any sense useful. In practice this is not, however, the case since economic elements are also involved in concrete cases. In the present terminology there could well be a rational technique even of achieving ends which no one desires. It would, for instance, be possible, as a kind of technical amusement, to apply all the most modern methods to the production of atmospheric air. [No one: note - J. T.] - could take the slightest exception to the purely technical rationality of the action. Economically, on the other hand, the procedure would under normal circumstances be clearly irrational because there was no demand for the

product" (Weber 1947). The use of the term "demand" as a criterion for determining a given type of action's character seems odd given both Weber's historical erudition and his ambition of creating a universal set of categories. Meanwhile, the notion of demand is part and parcel of the commodity and money economy only. This dilemma could be solved in at least two ways. One of them - using the notion of "utility" instead is ruled out because Weber uses it in another technical sense. Still, he could employ the term "use value" which, it seems, might be rejected owing to its Marxian connotation and Weber's unwillingness to his great rival's language is all too apparent in his entire economic sociology.

18.2.5 Weber on Economic Development

Like Marx Weber begun by looking at economic development. Focusing on comparative histories, Weber traced the economic development of early agrarian societies by looking at Germany, Russia, China, India, England and France. After looking for patterns of economic development in the West in comparison with the East, Weber then turned his attention to the conditions of feudal economies which he thought had emerged principally in the west and rested generally on two decisive characteristics. First were political and legal powers which landholders had over the land, and second were the political and legal class prerogatives which landholders had over others. Weber went on to compare the characteristics of the feudal economies of Germany, Russia, England and France with those societies; he argued that the origins of the western manorial system could be traced to three primary sources: (i) economic utility; (ii) military and political considerations; and (iii) social distinctions supporting prerogatives of traditional aristocracy.

Like Marx, Weber believed that capitalist development began as soon as landholders pushed peasants off the land and began to convert their holding into sheep pastures. However, where Marx had argued that the transition to capitalism occurred in the main as the means of production became the private property of a capitalist class, Weber thought that other changes occurring in the political and religious spheres led to the development of capitalism. For Weber, the transition to industrial capitalism took place in the main because of the breakdown in the political authority of the landlords rather than because of their monopolisation of the means of production. On this account, Weber noted that the pace of industrial change varied from society to society. In England, the pace of decline was slow because peasant holdings were appropriated by legal procedures which created a gradual handover of lands from peasants to capitalists. In France, by contrast, the revolution brought an immediate end to the feudal economy and rapid change in the availability of land.

The Role of the Guilds in Capitalist Development, like Marx, Weber believed that the trade guilds played a central role in capitalist development. In fact, until the latter half of the nineteenth century, the guilds exercised almost complete authority over occupations which meant that work was impossible to obtain without guild supervision. Under these circumstances, guilds had almost complete authority because they were able to preserve the livelihoods of artisans. However, as the guild system began to break down, there were signs of capitalist development in England and Germany.

18.2.6 Weber on Non-Economic factors in Capitalist Development

Non-Economic Factors in Capitalist Development is one of the key attributes of Weber's theory of capitalism. The role he allots to non-economic factors in capitalist development. Weber differs from Marx in several ways. Whereas Marx believed that capitalism was inevitable and could only be understood from the perspective of the underlying productive forces in history, Weber doubted this and believed that other historical influences shaped capitalist development in their own manner. Weber referred to these influences as the 'non- economic factors' of capitalism, and he thought there were four influences that were central and important. These are:

1. The emergence of a system of rationality.
2. The development of a system of law.
3. The emergence of new forms of citizenship.
4. The rise of the 'gain spirit' and the system of ethics corresponding to it.

18.2.6.1 Rationality

The first non-economic factor Weber looked at was the emergence of a system of rationality which first took hold in commerce and in commercial activity at the beginning of the century. According to Weber, rational commerce is a form of economic activity whose principal elements are based on the development of what he called 'quantitative reckoning' and the dominance of quantitative reasoning in economic life. Weber maintained that quantitative reckoning emerged only when there was a need for 'exactness' in commercial undertakings. He pointed out that in earlier periods commerce proceeded so slowly and informally that 'exactness' in calculation was not necessary. But as soon as the exchange of goods became more common and the quantity of materials and goods exchanged became more substantial, 'exact computation became necessary'.

18.2.6.2 Calculable Law

According to Weber, 'calculable law' is a second non-economic factor related to the

development of capitalism. As soon as the economic and legal spheres began to unify, commercial activity was freed from the restraint of inherited tradition which enabled industry and production to become rational. Without the stimulation of law said Weber, the development of capitalism would not have been possible. In fact, it was only with the emergence of rational law that a system of ethics governing commercial exchange became possible and from this arose the legal concept of the citizen. According to Weber, the concept of the citizen emerges only in the West when the system of rational law began to ensure the free pursuit of individual gain. In Weber's view, the introduction of legal citizenship was key to the development of capitalism because it underlined the fact that commerce was dependent on the political and legal sphere. Another development related to the concept of the citizen was the emergence of modern city, with its municipal organisation and its bureaucratic administration.

18.2.6.3 Rise of the Rational State

A third non-economic influence of capitalist development is the rise of the rational state itself. Weber thought that the rational state was defined generally by a set of social institutions based in law and officialdom which emerged only in modern society.

18.2.6.4 Gain Spirit

'Rational Capitalism and the Growth of the Gain Spirit', a fourth non-economic consideration of capitalist development discussed by Weber is the relationship between the economic and religious spheres. A 'gain spirit' which was based on a rationalisation of the conduct of everyday life in general and rationalistic economic ethic in particular. By 'gain spirit' Weber meant a system of conduct based on ethical norms which govern commercial activity and which served to bring the economic and religious spheres together.

18.3 Talcott Parsons

Swedberg and Granovetter commented that '[Parsons] came to see sociology as focusing exclusively on the values, or 'ends,' in 'means-end' chains, with economists assigned to the task of analyzing the most efficient ways to achieve ends taken as given' (1992: 5). This statement refers to what Parsons in his first major work, *The Structure of Social Action* termed analytical factor view. Such an approach would rely on different points of view of economics and sociology, the first of which would consider alternative use of scarce resources to meet needs, while the second - would focus on values, i.e. fundamental common ends. By contrast, in the work co-authored with Neil Smelser *Economy and Society*, economics is no longer recognised as a science equivalent or alternative to sociology but as a special case of a general theory

of social system.

18.3.1 AGIL Scheme

The procedure Parsons adopted to analyse both the general system of action and its subsystems is called 'the AGIL scheme' or 'AGIL paradigm'. To survive or maintain equilibrium with respect to its environment, any system must to some degree adapt to that environment, attain its goals, integrate its components, and maintain its latent pattern, a cultural template of some sort. These are called the system's functional imperatives.

To put it in more specific terms: the four functional imperatives of any system of action, given in order of significance from the point of view of cybernetic control of action processes in the system under consideration are the following:

L- The function of Latency or pattern maintenance. The function of pattern maintenance refers to the imperative of maintaining the stability of patterns of institutionalised culture defining the structure of the system. There are two distinct aspects of this function. The first concerns the character of the normative pattern itself; the focus lies in the structural category of values. The second concerns its state of institutionalisation, which concerns the motivational commitment of the individual. A very central problem here is that of the socialisation of the individual, taken as the processes by which the values of the society are internalised in an individual personality. Overall, systems do show a tendency to maintain themselves (inertia).

G-The function of goal-attainment. Goal-attainment becomes a problem in so far as there arises some discrepancy between the inertial tendencies of the system and its needs resulting from interchange with the situation. A goal is therefore defined in terms of equilibrium, and directional changes will tend to minimise the discrepancy between the two systems. Goal - attainment, or goal- orientation is thus, by contrast with pattern maintenance, tied to a specific situation. Systems often have a plurality of goals. For the social system as such, goal orientation concerns, therefore, not commitment to the values of the society, but motivation to contribute what is necessary for the functioning of the system.

A - The function of adaptation. Adaptation is another consequence of goal plurality. A system has only so many set, scarce resources, and when goals are many, often one goal must be sacrificed so the resources may be used to attain another goal. this means that the system loses the benefits of the sacrificed goal. The sacrificed goal is chosen through the function of goal attainment. Adaptation is concerned with providing additional disposable facilities independent of their relevance to any particular goal. More generally, at the macroscopic level, goal-attainment is the focus of political

organisation, and adaptation is the focus of economic organisation. Within a given system, goal-attainment is a more important control than is adaptation. I - The function of integration. In the control hierarchy, integration stands between the functions of pattern-maintenance and goal-attainment. The functional problem of integration concerns the mutual adjustments of segmented units or subsystems from the point of view of their contributions to the effective functioning of the system as a whole. In a highly differentiated society, the primary focus of the integrative mechanism is found in the system of legal norms and the associated legal system. The system as a whole is concerned most with the allocation of rights and obligations. For any given social system, the integrative function is the focus of its most distinctive properties and processes' (Parsons 2007).

18.3.1.1 Four Inter-Related Sub-System

In the case of the analysis of a societal action system, the AGIL Paradigm, according to Parsons, yields four interrelated and interpenetrating subsystems. such as.

The behavioral systems of its members (A), the personality systems of those members (G), the society as a system of social organisation (I) and the cultural system of that society (L). To analyse a society as a social system (the I subsystem of action), it can be treated as a complex system of interrelated functional subsystems, namely:

- The economy -- societal adaptation to its action and non-action environmental systems
- The polity -- societal goal attainment
- The societal community -- the integration of its diverse social components
- The fiduciary system -- processes and units that function to reproduce societal culture (also called pattern maintenance and tension management).

Parsons put forward the idea (to which we shall come back to analyse it in more detail) that each of these systems also developed some specialised symbolic mechanisms of interaction analogous to money in the economy, e.g., influence in the societal community. Various processes of 'interchange' among the subsystems of the societal system were postulated. For the notion of border exchanges implies that each subsystem requires input from the neighboring subsystems in order to continue functioning correctly. For example the economic subsystem requires input from the 'G' subsystem (external support from the state for businesses) the 'I' subsystem (legal norms regulating contracts) and the 'L' subsystem (value commitments internalised in economic actors). Within each subsystem itself there is another AGIL system - corporations (of the adaptive subsystem) contain within them positions specifically involved with internally

regulating values (for example human resources departments) promulgating norms (the legal department), political organisation (board of directors) and adaptation to the environment. One might add that the said theory of subsystem interchanges is at the same time an attempt to incorporate the model of factors of production, i.e. capital, labour, land and organisation. One cannot agree more with a diagnosis presented in the foreword to *"Economy and Society"*, where mutually damaging effects of the divorce of economics and sociology are stressed, and, correspondingly, the need of integration of the two disciplines is proposed. One of the crucial reasons for this sad state of affairs consists of resignation of contemporary sociologists, some exceptions notwithstanding, from creating a general social theory.

All the more interesting will be to check how Parsons and Smelser have succeeded in that regard. As has been said above, society is seen as composed of four basic functional subsystems. If indeed recently a renewed interest in the relationship between economics and sociology (Swedberg 1991; Smelser and Swedberg 1994) has been observed, this relation cannot be determined without raising another issue, that of conceiving the boundaries of the economy. Parsons answers this question by pointing to objectives of the economy as a functional subsystem of society at large. Namely, he defines the economy's function as one of production of consumer goods and services. Two comments are in order. Firstly, in the definition conspicuous by their absence are the means of production or investment goods. While they, of course, constitute an indispensable condition of reproduction of the economy, there has been no room for them within Parsonian scheme, as they are not subject of any interchange with any other societal system. As a result, Parsons' notion is useless from the standpoint of economics (let us recall, a discipline with which he is seeking integration) as being of no help in constructing national balance, tables of reproduction such as those found in Marx's writings, adequate schemes of flows of economic outputs and so on and so forth. It is also the second component of the definition that at least needs more precision. 'Services' is, after all, notoriously ambiguous term, and, if, as Parsons appears to be doing following the footsteps of most economists, they are to be understood as all actions that satisfy other persons' wants, there could be no reasons why not include in the economy activities of the clergy as satisfying the believers' need for peace of mind and clear conscience, or police, or even, as Marx ironically noted, 'The criminal [who] produces an impression, partly moral and partly tragic, as the case may be, and in this way renders a 'service' by arousing the moral and aesthetic feelings of the public'(1861-3). It thus combining economic and non-economic activities.

The task of delineating the economic structure's boundaries is not made any easier, but, on the contrary, further complicated by introducing by Parsons the notion of

income as a purpose of functioning of the economy. Just like another claim of that sort according to which the key attribute of internal economic processes is measurement, monetary calculation it must be charged with a historicism, an attempt of viewing all various historical economic structures from an angle of merely one of such systems, i.e. commodity-money one whose most perfect embodiment is capitalism.

18.3.1.2 Organisation as a Function of Sub-System

'Economy and Society' so far, it can be pointed out that it clearly albeit indirectly suggests that, firstly, the interrelations between the economic structure and non-economic structures are so complex and multifaceted that they cannot be reduced to any simple formulae, all the more that, secondly, they are variable in time, and, thirdly, that their scientific analysis requires, as its point of departure, working out of precise concepts of both the economic and non-economic structures. Take, for example, the 'organisation' factor treated as a contribution of the entrepreneur. Parsons points out that organisational activities can be performed by employees occupying various positions, e.g. members of managerial or administration staff, but also those employed in the technological division. This is a genuinely sociological view, and as such deserving praise. Parsons implies here that for purposes of socio-economic research, knowledge of formal occupational titles is not enough, one should look at the empirical content of given types of work. There is more to that, however. Parsons, namely, construes the concept of organisation as a function of his subsystem whose aim is societal integration.

18.3.2 Economics as a Theory of Social System

Parsons treats economics as a special case of his theory of social systems, which, in turn, remains in the same position relative to even more universal theory of general system of action. 'The specifically economic aspect of the theory of social systems is a special case of the general theory of the social system. The basic variables operative in all the special cases are the variables of a more general theory' (1956: 6). At the beginning of his book Parsons lists a number of examples, which are to corroborate the above view. Even giving the author the maximum benefit of the doubt is not in a position to convince one that it is really the case.

Thus, in Parsons' view such economic categories as 'demand' and 'supply' represent special cases of more general concepts of 'achievement' and 'sanction', which, under his general theory pertain to each action. This is hardly convincing, however. Note that by the same token one could lay out an indefinite number of analogies between similar or complementary phenomena. Why not, for instance, juxtapose the above pair of economic concepts with 'sea inflow' and 'out low'. But does it follow from the

above comparison that economics is a special case of hydrology? Or, possibly the reverse is the case. Further, Parsons argues that what in economics is known as 'goods' and 'services' refers in fact to a sociological dichotomy of 'physical objects' and 'social objects'. This view, again, is entirely useless in terms of both economics and sociology; one is not able to indicate any advantage that would stem from the substitution of the concepts in question. 'Goods' and 'Services' indicate the objects as such; whether social or physical is a matter of their quality, or their usage.

18.3.3 Parsonian Methodology

On these grounds it could be claimed that Parsonian methodology is based on an underlying principle of 'application' or 'sub-sumption', which is also apparent in his theory of the general system of action characterised by indeed sweeping generalisation or universalism, as its categories, according to its creator, are to refer to the entire bio-psycho-socio-cultural world. The term 'sub-sumption' indicates the above-considered feature of Parsons' thought that consists in conceiving phenomena of a given realm as special cases of some more general one, thus establishing particular spheres of reality in a hierarchical order. In the case of economics, just as in other instances, for that matter the logic of reasoning should, though, lead the author in an opposite direction - after establishing that the economy constitutes a distinct subsystem of broader societal system, the next logical step ought to consist of working out a set of categories and propositions that would highlight that specificity. Unfortunately, in *'Economy and Society'* Parsons has gone in quite another direction, which is symbolised by his words: 'At the most general, constitutive of the economic theory level, no specifically economic variables exist, they are categories of the general theory of action, as the economic categories can be derived from the general theory'. Such a reductionist view cannot but affect proportions of pages of *'Economy and Society'* occupied by numerous attempts to place this or that category in a definite square within a certain scheme or diagram, those are less interesting compared to a down-to-earth analysis of economic phenomena and processes. The hierarchy of priorities also leaves much less room for what, should constitute the key focus of his interest: i.e. an investigation of interrelations between the economic structure. Those other societal structures, which interrelations are so complex and multisided that any attempt to reduce them to a pair of factors exchanged between every two structures must turn out to be a failure.

18.3.4 Methodological Formalism : Its shortcomings

It has to be pointed out that parson's methodological approach premised on presumption has lasted long after publication of *'Economy and Society'*. It would be

no exaggeration to say that it dominated his work. Parsons, retaining the basic functional scheme, has focused in later years on its reformulation, adding new details and extension into previously neglected societal fields. Looking at this development, one can observe an increasing tendency towards formalism. The strengthening of formalism manifests itself in pushing the boundaries of concepts used, so that they become devoid of any identifiable empirical reference, and eliminating categories possessing such a referent. Thus, as far as the relations between the economy and the polity go, Parsons ceases to talk about per cent drawn from loans and the factor of supporting industrial enterprises' vanishes as well. The concept of organisation, which, despite its ill definition, has allowed one to grasp some real economic processes which gets substituted by even more vague notion of 'patterns of allocation of resources', The connection of the two appears rather enigmatic, and in all probability is accounted for, by the circumstance that the medium termed influence has found itself at the intersection of certain subsystems, and not the others.

18.3.5 Parson: Theory of Money

Parsons presents an interesting and valuable theory of money, which apparently draws on Weber, Simmel and Marx. Along with familiar economic functions of money, his deliberations contain fairly original notion of degrees of freedom made possible thanks to this medium. Parsons described money as a medium of exchange whose function consists in measuring value (Parsons 1954: 236). Money is thereby symbolic, 'in that though measuring and thus 'standing for' economic value or utility, it does not itself possess utility in the primary consumption sense-it has no 'value in use' but only 'in exchange', i.e. for possession of things having utility' (Parsons 1954: 236). The offers to buy or sell goods or services are communicated through the medium of money. Parsons traced the development of money to its roots in precious metals, which have intrinsic value. This connection is fully lost in differentiated money economies, to the extent that money becomes worthless in regard to its use value.

18.3.5.1 Money : Four Degrees of Freedom

The theoretical problem arising from the worthlessness of money (why should one be willing to exchange a good for worthless money in the exchange process?) is deciphered by Parsons pointing to the four degrees of freedom that actors achieve through the medium of money: the buyer can spend money on any goods; he or she can buy from any producer; the buyer can freely decide on the time of purchase; and he or she is free to accept or reject the terms of purchase. The disadvantage of the worthlessness of money is compensated by the gain in options and motivates acceptance of the medium in exchange. However, the risk remains that money will not be

accepted by third parties or that it will become worthless due to inflation. This risk remains because money is not tied to a product that has a use value. However, the disconnection of money from its historical origins in precious metals is, according to Parsons, a precondition for its functional efficiency as a medium of exchange, which is why this risk is part of the structure of differentiated economies. Only the actors' trust in the stability and acceptance of the symbolic medium can be supported through its institutionalisation. 'There must be an element of bindingness in the institutionalisation of the medium itself-e.g. the fact that the money of a society is a 'legal tender' which must be accepted in the settlement of debts which have the status of contractual obligations under the law' (1963: 240).

18.3.5.2 Effect of Institutionalisation of Money

At the same time, the institutionalisation of money allows a separation of economic exchange processes from their anchoring in culturally sanctioned expectations of reciprocity. Only under these conditions do the degrees of freedom, which have been attained through acquisition of money, become relevant, which could otherwise not be exercised only due to institutionalised obligations. What, from whom, when, and for what price something is purchased is no longer culturally decided. The resulting uncertainty of economic decisions can no longer be normatively reduced. (Beckert 2006) To put it from a slightly different angle, money, as a generalised medium of exchange can stand for a wide range of goods, allowing a sophisticated division of labour not available in barter economies. Furthermore it allows large amounts of capital to be built up, and hence large scale production to be engaged in. This example highlights the importance of input from the other subsystems. As money is symbolic it has no real use-value in itself - currency note is nothing more than a flimsy piece of paper after all. Input from the value commitment and normative subsystems generates trust allowing us to accept that we can exchange the note for its promissory value on demand.

18.4 Conclusion

Talcott Parsons and Marx Weber are two social theorists who have made significant contributions to sociology. Despite the fact that Parsons is a Weber student, their perspectives are vastly different. The challenges in comprehending why social events occur in a particular way. According to Weber's social theories, limit human comprehension. Because it argues that understanding is either observational or explanatory.. On the other hand, Parsons' views were founded on a behaviourist approach, which posits that humans may discern social meanings through observation. The economic theory of Parsons is both analytical and practical. The theory is concerned

with action, experience, and knowledge because it provides society with a motive dynamic that explains behaviour, allowing individuals to anticipate particular outcomes when the theory's assumptions are met. Understanding (*verstehen*) was the optimum means of investigating social phenomena, according to Weber, since it would help people comprehend their own behaviours, interactions, and experiences.

18.5 Summary

This unit, deals with certain important points that has been associated with ideas of economic action and calculation of rational choice behavior of the individual being a part of social system. In the book '*Economy and Society*,' Weber offers his idea of the economics as part of a logical chain of systematic definitions on economy. Weber begins by stating that action is economically orientated in the sense that it is concerned with the demand for utility in its subjective meaning. The concept of subjective meaning is central to Weberian's interpretive method. Weber's analysis of the economy-state link is not only theoretically correct, but also timely in light of the recent economic downturn. Before one can talk about the state's economic role, one must first analyse the underlying socioeconomic institutions. Other historical forces, unlike Karl Marx, he felt, affected capitalism growth in their own right. Weber referred to these impacts as capitalism's "non-economic forces," and he believed there were four key and essential influences. These are: 1. The development of a reasoning system. 2. The establishment of a legal system. 3. The introduction of new citizenship forms. 4. The growth of the "gain spirit" and the moral system that accompanied it.

Sociology, according to Parsons, focuses solely on the values, or 'goals,' in 'means-end' linkages, whereas economists are tasked with studying the most effective methods to accomplish those objectives.' The 'AGIL scheme' or 'AGIL paradigm' is the method Parsons used to analyse both the overall system of action and its subsystems. Economic theory is presented by Parsons as a subset of his theory of social systems, which retains its position in relation to a more universal theory of general system of action. The economic perspective on social systems is part of the larger theory of social systems.owing us to accept that we can exchange the note for its promissory value on demand.

18.6 Questions

1. Discuss Max Weber's explanation of the concept of the economy as a subsystem.
2. Described how rational conduct in the social system affects economics?
3. Explain how Weber explained the influence of non-economic elements in

capitalist development?

4. What are the four basic functional prerequisites of social system according to Talcott Parson?
5. Describe how Talcott Parson framed economics as a social system theory.
6. Analyse critically Talcott Parson's methodology, based on the notion of "subsumption." Do you notice some obvious deficiencies and contradictions in this methodology?
7. Discuss Talcott Parson's concept of theory of money.

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UNIT–19 : Modernization and Development

Structure of the Unit :

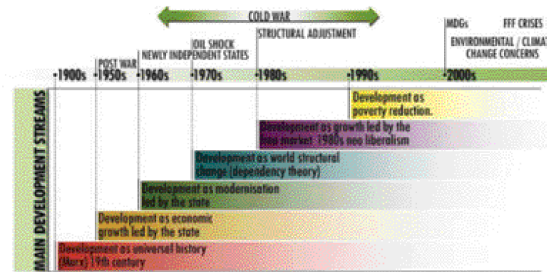
- 19.0 Learning Objectives
- 19.1 Introduction
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19.0 Learning Objectives

- To explain the conceptual basis of development and modernization
- To outline the approaches to modernization and development project
- To highlight the specific inherent contradictions in the theorization of development and modernity with reference to the developing countries.

19.1 Introduction

Development and modernization are two closely related conceptual constructions gaining ground in the post Second War Europe and America. To follow Escobar, 'development' is a political agenda to continue with the hegemonic control over the erstwhile colonies. However, on an uncritical note development and modernization seek to improve the lives of the Third World countries through improvement in social-political economic and cultural order. Development and modernization followed a trajectory which may be chronologically coherently represented below. The 1980s onwards development is being led by the market forces following the prescription of the international institutions like the World Bank and the International Monetary Fund (IMF). The neo-liberal free market growth model has not been discussed in this module although imprints of this paradigm are implicit in the discussion.



The sections below attempt to outline the concept of development and the various theories and approaches to it followed by modernization concept, its critique and the interconnections between development and modernization.

19.2 Concept of Development

Development refers to increase in both value and volume of things within an economy and its equitable distribution. The way development is presently looked upon has its origin to the inter war period. More specifically, it owes its origin to the post second world war context, the basic premises being formulated during the 1940s and 1950s. Development increasingly was being defined as technological progress, resource, agricultural development, capital formation, trade and commerce. The discourse emphasized upon the destruction of traditional institutions in the post-colonial economies and modernization of social, political and economic structures. Urbanization and industrialization were considered as inevitable and the only route towards modernization. As Escobar (1997) points out, development was emphasized as a process to be initiated through domestic savings and capital formation in the post colonial countries to trigger industrial growth and consequent development. The scarcity of investible capital that intrigued the Third World economies was prescribed to resolve this bottleneck through support of the international donor agencies like the World Bank, International Monetary Fund (IMF) or United Nations (UN). These international institutions had emerged post Second World War to aid the modernization and development of the Third World and to assist them to overcome backwardness and economic under-development. It is often underlined that it was President Truman to whom 'development' owes its origin when he had articulated the specific welfare goals and issues of governance. The origin of development theory therefore is inseparable from the process by which 'colonial world' was reconfigured into the 'developing world'.

Development describes the process of economic and social change within the

nations. It is considered to follow a well ordered sequence and to exhibit common characteristics across countries. However, although initially the concept of development was defined as economic growth targets with common objectives, the distributional aspects of economic policies as well as composition and beneficiaries of growth was included later in the discourse. Goulet (1971) sought to deconstruct development into three basic components or core values which he calls life-sustenance, self-esteem and freedom. Life-sustenance is concerned with the provision of basic needs that was initiated by the World Bank in 1970s. Self-esteem is concerned with the feeling of self-respect and independence where no country is exploited or subjugated by others. Freedom refers to liberty from three evils of 'want, ignorance and squalor' so that individuals are free to decide their own destinies. Out of these three core values, while self-sustenance is more concerned with growth, the self-esteem and freedom coincided more with Amartya Sen's discourse on development and the basic needs approaches. The concept of development that has evolved over time may be discussed as follows:

a) Development as economic growth:

Development initially was considered to be an economic process and was measured in terms of growth in income. Economic growth and development were used interchangeably and as co-terminus. The usual measures of development are as follows:

Gross National Product (GNP): It is the value of all final goods and services produced by domestically owned factors of production within a given period of time. It includes production of those units which are located beyond the national boundaries but have domestic ownership.

Net National Product (NNP): It is usual that the fixed factors of production undergo wear and tear through use over time. It is customary to adjust the GNP for this 'wear and tear' called depreciation to obtain NNP. So, $NNP = GNP - \text{Depreciation}$.

Gross Domestic Product (GDP): It refers to the value of all goods and services that are domestically produced within the national boundary. So, if any Indian company has a production unit in some other country, its output shall be included in India's GNP but not in India's GDP computation.

Per Capita Income (PCI): The most widely accepted measure for standard of living is GNP per head. So, GNP divided by the population of the economy in PCI. As it is population adjusted measure, it may be compared across countries.

The major limitations of considering such measures as development are as follows:

¹The states that remained non-aligned during the Cold War are referred to as the Third World. Although having origin in the political lineage, it is more loosely used to denote underdeveloped countries in Africa, Latin America and Asia

- i. The composition of the income generating activities remains unknown in the computation of national income. Liquor or tobacco production and iron and steel production remain undifferentiated as only their monetary values are considered while the ethical issue for these two items are divergent.
- ii. In developing countries where self-consumption by the producers is common, under enumeration common and complicates the process of national income estimation.
- iii. National income accounting considers 'productive work' as one where measurable income is generated. So self-employed farmer's labour as well as domestic work of the house-wife which are common non-marketed services, income must be imputed. This is problematic and the source of error in enumeration.
- iv. These measures are indifferent to the nature of distribution of the estimated national income. The national aggregates are considered while the segmented nature of production in terms of social inclusivity is ignored. Although PCI seeks to incorporate the distributional element through inclusion of the population, it is simply an average and fails to capture the social essence of income distribution. Also, PCI measures may increase or decrease based upon population figures as well as income estimates which are not the same thing.

b) Development as Institutional Change

Following the growth-based understanding of development for about two decades, it was realized during the 1970s that while the economies had been growing very fast, there has been an increase in poverty levels also. Development therefore is redefined as growth plus change in the structures of the economy so that the benefits of growth get shared. So development is economic growth and change in the socio-political and economic institutions to enhance welfare of the masses. It is a multidimensional process leading to reduction in unemployment, poverty and hunger through institutionalised distributive justice.

c) Development as freedom

Amartya Sen in his book "Development as Freedom" (2000) redefines development as expansion of real freedom that people enjoy. It underscores the income-based development measures and focuses on human freedom as development. While income serves as a means of acquiring several types of freedom, real freedom is determined by social and economic arrangements as well as political and civil rights. So, industrialization, social modernization and growing GNP although can contribute towards expanding freedom, real freedom is dependent upon very many additional

factors. Development entails elimination of the major sources of unfreedom: poverty as well as tyranny, poor economic opportunities as well as systematic social deprivation, neglect of public facilities as well as intolerance or overactivity of repressive states (Sen, 2000: p. 3). In some instances unfreedom stems from economic deprivation leading to poverty and inability to achieve adequate nutrition or shelter. Often it may arise out of inadequate public facilities like health care system or educational facilities. In both these cases, lack of substantive freedom is linked to denial of political liberty and civic service provisioning in some way or the other.

The interdependence between individual freedom and the achievement of social development is significant. Sen (2000) points out 'what people can positively achieve is influenced by economic opportunities, political liberties, social powers and the enabling conditions of good health, basic education.... The institutional arrangements for those opportunities are also influenced by the exercise of people's freedom, through the liberty to participate in social choice and in the making of public decisions...' (p. 5).

Sen points out five forms of freedom as instrumental in explaining elucidating development: (1) political freedom, (2) economic facilities, (3) social opportunities, (4) transparency guarantees and (5) protective security. Each of these elements expands the capabilities of each individual. Each of these works in tandem with each other to promote interrelated instrumental freedom. Freedom is basic to individual development and development of the society at large. It is not end result of development but is also the principal means of its achievement. It emphasises upon capabilities and entitlements. According to this view famine is not simply lack of food. Famine is rather lack of food entitlement and poverty is lack of entitlement to basic services. So, development is eradication of 'un-freedom' and establishment of entitlements.

d) Development as access to basic needs

During the 1970s, the International Labour Organization (ILO), United Nations and the World Bank formulated the basic needs approach to development. The rationale of this approach was provisioning of six basic needs: (1) health services, (2) education, (3) housing, (4) sanitation, (5) water supply and (6) adequate nutrition. It was premised on the conviction that direct provision of these basic needs are more likely to alleviate absolute poverty immediately than any other strategy that is directed to augment economic growth. Five arguments were used to support this change in strategy:

- i) Growth strategies usually fail to benefit those intended.
- ii) Health and education facilities are the most important determinants of income and productivity of the poor.

- iii) It is usual to expect that it would take a long time for the poor to increase their incomes sufficiently so that they are able to pay for their basic needs.
- iv) The poor tend not to spend their income wisely, and certain facilities such as sanitation and water can be provided only publicly.
- v) It is difficult to help all poor in a uniform way in the absence of the provision of basic needs.

While these arguments were put forth in favour of public provisioning of basic needs, there emerged a very prominent dilemma for resource allocation. It meant the transfer of resources to basic needs and away from investment. So, economic growth is inevitably destined to be retarded and hence the question of sustainability of basic needs strategy. The other view argues that the provisioning of the basic needs is essentially an investment in human capital which in the long run might be as productive as investment in industry.

e) Development as human development

The publication of the World Development Report in 1990 was first of its kind to formally put people back at the centre of the development discourse. The real wealth of a nation is its people and hence the creation of enabling environment must constitute the core of development. The three essential elements for achievement of the same are (1) to lead a long and healthy life, (2) to acquire knowledge, and (3) to have access to resources for a decent standard of living. In addition, political, economic and social freedoms of being creative and productive and for enjoying self-respect are integral to human development. Human development is constitutive of two aspects: one is advancement of human capabilities through betterment of health, knowledge and skills. The other is the use people make of their acquired capabilities for productive purposes. Although income is clearly a very important ingredient for attainment of wellbeing, it is not all encompassing. The purpose of development is not limited to only income but must be able to enlarge human choices.

The human development approach is much broader in scope compared to the conventional development theories that emphasise economic growth through expansion of GNP/GDP rather than improving quality of life. So, human development approach considers individuals as active agents rather than passive recipients of welfare approaches following the basic needs paradigm. Human development brings together the production and distribution of commodities and the expansion and use of human capabilities. It mainstreams enlargement of human choices and therefore is relevant for both the developing as well as developed countries.

It also incorporates gender and equity issues that are essential for sustainability of

human development. It consists of four major elements, viz, productivity, equity, sustainability and empowerment.

Four essential components of human development paradigm

The human development paradigm contains four main components:

- *Productivity: People must be enabled to increase their productivity and to participate fully in the process of income generation and remunerative employment. Economic growth is therefore a subset of human development model.*
- *Equity: People must have equal access to opportunities. All barriers to economic and political opportunities must be eliminated so that people can participate in and benefit from these opportunities.*
- *Sustainability: Access to opportunities must be ensured not only for the present generations but for future generations as well. All forms of capital-physical, human, environmental- should be replenished.*
- *Empowerment: Development must be by people and not for people. People must participate fully in the decisions and processes that shape their lives.*

Source: Human Development Report, 1995 (pg. 12)

The human development index (HDI) was constructed to capture three most important dimensions of development: life expectancy representing long and healthy life, educational attainment representing knowledge and real GDP per capita (in purchasing power parity dollars) representing decent standard of living. The methodology and constituent variables have been modified but the essence remains the same. Though HDI does not represent happiness, it is a better measure compared to GNP/GDP.

19.3 Theoretical Approaches to Development

a) Development Economics Approaches and Growth Theory :

The economic growth theories were a group of theories that had been proposed following the experience of the Marshall Plan intended to assist the recovery of post War Europe. They shared common concern with aggregate economic processes like rates of savings and rates of investment. This set of growth theories argue that the poor economic performance of any country is the result of lack of aggregate domestic demand which is again a function of low domestic savings and capital formation. So, enabling a thrust to uplift demand and preference for industrialization as route to development were the prescriptions to escape underdevelopment and backwardness.

It presupposes the existence of dualistic economic structure where through development process the traditional sector is gradually subsumed within the expanding modern industrial economy. Also, differences and merits of balanced and unbalanced growth surfaced in the theories that had emerged. However, these growth theories were largely premised upon a competitive market structure. The major growth theories may be briefly summarized below:

i) Strategy of unbalanced growth by Albert Hirschman

Economic growth takes place through the balance of forces between 'polarization' and 'trickle-down'. Trickle down takes place through inter-regional trade, transfer of capital to backward regions, absorption of disguised unemployment in modern sectors and subsequent increase in marginal productivity of labour. Polarization refers to the disproportionately high growth concentration in few already developed regions which discourage growth in the lagging regions. Eventually when diseconomies arise in the growth regions, centrifugal forces of expansionary momentum trickle down into the lagging regions.

ii) Theory of Circular and Cumulative Causation by Gunnar Myrdal (1957)

This theory sought to explain the persistence of spatial differences in economic development between nations and also between regions within nations. It hypothesises that economic activity, if left to market forces tend to cluster in certain specific locations that offer favourable situations allowing the rest of the regions to lag behind. Due to internal and external economies, such region experience increasing concentration of economic activities while the backward regions continue to further lag behind as factors of production move away in favour of the growing region. Myrdal sought to explain cumulative causation in terms of the relative strength of 'spread effect' and 'backwash effect'. Spread effect refers to the centrifugal forces of expansionary momentum emanating from the centres of economic expansion to other centres. Backwash effects refer to the forces emanating from the prosperous regions which discourage growth in the lagging areas.

iii) Labour Surplus Theory (Lewis-Fei-Ranis Model)

Underdeveloped economies operate in dual sectors: (a) a large traditional sector dominated by agriculture, and (b) a much smaller modern industrial sector. Not only wage rates are higher in the modern sector, but there is surplus labour in the traditional sector, i.e., labour is engaged in the traditional sector even when marginal product of labour is zero. Labour starts shifting from low wage agricultural sector to the more productive industrial sector. Through growth of such migration linkage and commodity linkage with the agricultural sector surplus labour is eliminated and the economy is said to have developed. The process is accelerated by urbanisation.

iv) Stages of Economic Growth by W.W. Rostow

Development takes place in five stages: (a) Traditional Stage where the Pre-Newtonian world consists of feudal structures, dominance of agriculture and negligible mobility; (b) Transitional Stage is the phase when level of investment is raised to 10% of national income mainly in infrastructure and social overhead capital to prepare for self-sustained growth; (c) Take-off Stage is a short phase when growth becomes self-sustaining with rising per capita income and savings guaranteeing future investment and capital transfer between agrarian and non-agrarian sectors; (d) Maturity refers to the phase when the economy has successfully undertaken technological and social change to sustain the urban-industrial structures; (e) High Mass Consumption Stage when the economy has reached highest level of development dominated by production of a variety of consumption goods.

b) Marxist and Dependency Theories

It comprises of a body of theories that takes a structuralist-Marxist perspective to understand the developed vis-a-vis underdeveloped world dichotomy and seeks to resolve the issue of underdevelopment. This has evolved as a critique of the classical and neo-classical approaches to development. It is argued that the Third World poverty and underdevelopment is not a question of local failure of growth but rather is a function of the exploitative linkages that have historically evolved between them and the external global powers. Economic subordination of the post-colonial economies by the global superpowers is the causative factor behind present underdevelopment. It is further argued that the local capital accumulation is dependent upon non-local factors and hence its development is linked to and regulated by the dominant economy.

i) Dependency Theory by Andre Gunder Frank (1966)

The global dualism between developed and underdeveloped countries is an outcome of the continued participation of the post colonial economies (satellites) in the global capitalist system which is inherently exploitative. While capitalism is considered to follow stage where the pre-capitalist forms are gradually subsumed by the capitalist modern sector and that under development is the failure of capitalism, Frank argues that under development is not the result of persistence of archaic institutions or any capital shortage. Rather, under development is created by the capitalist system itself that nurtures and perpetuates the divergence in development between the global power conglomerates and the post colonial economies. He further argues that economies that have the weakest links with global capitalism and their colonial powers are the ones better developed compared to those who have been fostering close ties historically. This is because the surplus is traditionally siphoned-off through these linkages. The pattern of development is actively structured by the nature of metropole-satellite

interaction.

ii) World Systems Analysis by Immanuel Wallerstein (1974, 1979, 1980, 1983, 1984)

Immanuel Wallerstein proposed the world system analysis theory to offer a materialist approach to the study of social change. It is the study of the society integrating the economic, political and social aspects with history. This theory treats the world as a single entity called 'capitalist world-economy' or the modern world system where social change in any country must be understood in the as part of the larger system. Any meaningful study of social change cannot be undertaken country by country but must consider the whole world system.

The capitalist world-economy has three structural features: (a) one world market, whose logic and modalities govern the economic decisions throughout the system (b) multiple state system where political competition among the States orchestrate economic decisions and no one state can dominate creating space for manoeuvrings, (c) three-tier structure of stratification consisting of the spatial organization of the economic systems as core, periphery and the semi-periphery. The latter lying between the other two extremes is political in nature and serves to cushion pressures from the other two strata. The categorization of the countries into these three groupings is both politically as well as geographically unstable and countries keep moving up and down through the semi-periphery based on their respective periodic restructuring and changing rate of capital accumulation. Wallerstein (1974) argues that surplus extraction is forcefully directed away from the periphery towards the core by the capitalist system which is the cause of creation of developmental dualisms.

19.4 Concept of modernization and development

"Modernization refers to a process of social change from diffusion and adoption of the characteristics of expansive and apparently more advanced societies through societies which are apparently less advanced. Modernization involves social mobilization, the growth of more effective and centralized apparatus of political and social control, the acceptance of scientifically rational norms and the transformation of social relations and aesthetic forms" (Dictionary of Human Geography, p. 516). The modernization discourse is based upon the presupposition of existence of 'dualisms' and its transformation to modernity. It was assumed that the Western societies are homogenous and that the non-western countries must adapt their widely divergent patterns of consumption, production and incomes to match that of the former. The coexistence of dual societies in the non-western countries set them apart from the Western counterparts. The dual society is one where two contradictory sectors exist

together- a progressive modern industrial sector and a stagnant traditional sector. Development is therefore conceived as the gradual erosion of the traditional sector through progressive expansion of the modern industrial sector. It ends up in the latter completely engulfing the former where modern sector saturates the society. Implicit within this assumption remains the inferiority of the traditional sector whose persistence is believed to stand against the welfare of the concerned society.

The cultural and social developments that follow economic change are called modernization. It refers to the social variables that represents progress and explain social progress. It involves the process by which traditional societies transform into progressive industrialized modern societies. It initiates through what Talcott Parson calls 'structural differentiation'. It increases complexity of the social system and allows it to respond to complex environments. Within the society, structural differentiation and societal change occur simultaneously and circumscribes all the major socio-cultural, political and economic institutions. The economic sphere undergoes increasing degree of specialization of economic activities and occupations. Production increasingly become flexible and market oriented unlike the erstwhile self-consumption and small scale of production. Most of the goods and services are commodified which has deep impact upon the social organization of the community. The restructuring of the economic space reorganises the social and cultural spaces. Traditional ascription-based social order is rearranged on the basis of acquired social, civic and economic roles. The modernizing society also experiences transformation of the traditional value systems, religion, philosophy and education with a marked shift in favour of secularism and new education systems. In the political sphere, the administrative and political agencies become more consolidated based on democracy replacing the earlier lineage-based and social hierarchy-based concentration of political power. The restructured political sphere rest power in the hands of the masses whose needs and demands regulate the alignment of policies. So, modernization ushers in change in all the major spheres in the society which are linked to economic change.

Features of modernization

a) It underlines the nature of social change which is complex and uneven historically. It is presumed to be necessarily unidirectional and unilinear. As Rostow has theorised, the society would follow the stages in sequel (discussed earlier) gradually evolving away from the traditional sector-based economy to a highly industrialised one with very high mass consumption rates. It is a process of social adoption throughout a universal society.

b) The nature of change that emerges from modernization is predetermined. It is necessarily defined in Eurocentric terms. It implies imposition of the trajectory that

has been already observed in the European countries as sacrosanct, universal and hence omnipotent in inducing social transformation in the post-colonial/developing economies. The questions of empowerment and disempowerment of the indigenous society is usually overlooked.

c) The way the modernization concept is constructed, it overthrows the historicity of any society. It offers a myopic vision of social and cultural change that underplays the history and cultural richness of any non-European social formation. The monolithic construction of modernization assumes the inferiority of culture and traditions of the post-colonial societies and prescribes the superposition of Western norms and social order as 'modernization'.

d) Modernization is conceived as self-directed self-governed process rather than as a product of integration of pre-existing social organization with the newer forms that tend to restructure and disintegrate the society. It is environmentally as well as socially destructive ideology in one way as it seeks to dismantle the earlier social order rather than allowing for a complex process of social change.

e) The general thrust of the modernization theory is on improving efficiency through objectification of social relations. It entails mechanization of production process through the use of technologies.

f) Emerging from the observed differences in income, consumption and productivity between the Western and non-Western countries which was observed more prominently after the Second World War, formed the basis of development and modernization prescriptions. The stumbling block for this prescription was acceptance of persistent dualisms between the Western and non-Western countries and the modern and traditional sectors within the Third World countries. The sole objective of development and consequent modernization is squeezing-out of the traditional sector with gradual expansion of the modern sector. Incipient in the dualism discourse is superiority of the West that also underlines inferiority of the traditional spheres. The development and modernization paradigm is configured upon both international dualism as well as internal dualism.

19.5 Modernization Theories

It is a process that is viewed by different scholars from varying perspectives. It is looked upon as a societal change that affects the various spheres of the society. It encompasses the individuals who are affected by the process as well as the agents that transmit change. The society tends to be highly differed and the pattern of access to the different kinds of societal resources is also considerably restructured centrally, it entails the emergence of several institutional structures, specialized roles and new

forms of relationships that replace the traditional structures. The section puts forth a discussion on the propositions of three major scholars who have approached modernization from a social perspective. They are :

- a) Daniel Lerner-mass media in modernization
- b) David McClelland-Achievement Motivation Theory
- c) Talcott Parson-Neo-evolutionism, Modernization theory

Daniel Lerner-Mass Media in Modernization

An American scholar Daniel Lerner offered a modernization theory based on the use of mass media. It highlighted how mass media works as a means of promoting economic and social development in the post colonial economies. It accords supremacy to the American cultures and explains how exposure to mass media tacitly imbibes American cultural forms. It argues that the modern society inevitably upholds superior systems of mass media and that modern living embraces modern ideas that are produced in the West. So, to modernise, it means to align with the value system and culture of the West which transpires through mass media. So, according to Lerner, the rural population is enveloped within modernization process as they shift towards urban areas that epitomise development and modernity. The economic thrust for better opportunity enhances rate of urbanization as consequent modernization of the rural people. Lerner further states that mass media promote 'psychic mobility' that enables one to accept challenges of encountering unfamiliar situations. Willingness to emulate the West is the key to modernise any traditional society.

This theory is however west-centric and encourages neo-colonial development where it fails to break away from the dependence of the traditional societies on the industrially advanced societies. The western modernization process is looked upon as the development and superior such that it must be superimposed upon the traditional societies. It emphasizes inferiority of the traditional societies and that western modernisation must eliminate traditions. Elimination of traditional societies by the modernization processes is considered to be inevitable and desirable.

David McClelland - Achievement Motivation Theory

Unlike Lerner, McClelland tries to understand modernization at the individual level because he considers individuals as entrepreneurs who would be initiating modernization. McClelland devised the Thematic Appreciation Test (TAT) to determine which of the three needs does the individual feel most strongly. These needs are:

- Authority/power motivation
- Affiliation motivation

- Achievement motivation

The latter encourages development that collectively evolves into a modern society. McClelland's Achievement Motivation Theory focuses on the individual and the factors that nurture the entrepreneurial spirit in him/her. That each individual feels the need to achieve has a cumulative effect on the society. The individual, growing-up with a high achievement need, along with the other factors that reinforce the need for achievement grows up to create a social as well as an entrepreneurial environment that ushers in modernity in the society via technological and consequently socio-economic development (see Sandhu and Kumar).

Neo-evolutionism, Modernization theory and Parson

The pre-existing debates had agreed that societies are primarily normative adaptive systems that are geared to survival and that innovation and its diffusion are crucial in modernization. Parson (1964) suggested that for the societies to emerge as modern some 'evolutionary universals' have to be present. By evolutionary universal Parson defines as 'any complex of structure and processes which increases the long run adaptive capacity of living systems' (1964, p. 340-1). According to him, the pre-requisites for any human society to exist are religion, communication, language and social organisation through kinship and technology.

With increasing control of the primitive society over its environment, the population increases and internal tensions are also enhanced. A two class system of social stratification emerges as the ascription based social order becomes difficult to maintain. The political and religious functions get centrally organized and hereditary. Urbanization re-organises the system into a four-class system with two classes each in the rural and urban areas. Although politico-religious elites evolve, new forms of legitimations that are de-linked from the pre-existing ascriptive and kinship based order develop and increased differentiation of the new institutions mark the way forward to progress.

Parson applied his pattern variables to social evolution. According to Parson, modernity is the outcome of new, more efficient social arrangement where the bureaucracy and the money market are pre-eminent. Parson's final evolutionary universal is democratic association.

19.6 Critique of development-modernization theories

a) Uneven record of development: It was increasingly clear that there is increase in levels of poverty amid increasing affluence and increase in unemployment inspite of expansion of the production systems. The coexistence of increasing affluence and increasing poverty, particularly with reference to the deteriorating condition of people

in Asia and Africa raised doubts about the efficacy of the modernization paradigm.

b) Increasing association between development and modernization with ecological crisis: The countries that embraced the modernization-industrialization formula of development were increasingly marked with destruction of the tropical rainforests and mountain watersheds. Also their preoccupation with large dam and extensive irrigation systems for improvement of the subsistence agricultural systems caused negative environmental externalities like water logging, salinization and desertification. Also, the drive to urbanise and industrialise have actively steered the planned destruction of forests and river systems alike.

c) Increasing association between development and conflict in the Third World: Most of the Third World countries, where the modernization paradigm has been under way for a considerable period of time, saw internal conflicts have sharpened. While heavy industrialization and big river-valley projects have had major environmental externalities, they have caused widespread displacement of indigenous people from their land and livelihoods. Besides, the commercialization of agriculture, following market driven economic order, have alienated a considerable section of the farming community from their traditional land and livelihoods creating remarkable agrarian distress in many of the post-colonial economies in LatinAmerica, South and South-East Asian countries. Wars, civil unrest, urban crime, political strifes and such disturbances have been seen to have magnified considerably besides rising inequality.

d) Disillusionment with the myth of 'development-led-humane and just society': The non-western societies realised that the consumption pattern of the West is difficult to emulate given the resource constrains of the earth. Also, the emphasis on the quickdevelopment prescriptions having origin in the West, are more likely to trigger social unrest because these are largely exclusionary and biased in approach. It was realised that the West itself was dissatisfied with the development model it had patronised earlier. Many in the non-western countries also followed suit. The shift towards indigenous knowledge and values gradually surfaced and the preoccupations with modernization thesis popularised by the West waned away from the imaginations of the Third World.

e) Cultural colonialism: Besides the economic transformation, development and modernization have sought to instill new value system and way of life that is, in addition to being global in nature, is heavily influenced by Westernization. The cultural codes that have been defined as 'modernity' are hegemonic and are imbued with colonial flavour. Akin to cultural globalization, modernization strengthens and perpetuates cultural forms that brace cultural colonialism.

19.7 Conclusion

As outlined in Banuri (1987), the alternative vision of development must start from 'denial of the legitimacy ...of these quick fixes.' (p. 108). It must follow from a theory of continual and incremental change that it would draw inputs from the resistance, protests and challenges. It must come 'from below' rather than being imposed 'from above'. Approaches must legitimise and strengthen indigenous knowledge as it creates a sustainable basis for progress. In the recent decades, micro-finance, community development paths and other participatory modes of development projects are being encouraged in many parts of the developing world as alternative to the Eurocentric path of development and modernization.

19.8 Summary

The preceding discussion has put forth several related insights. First, except for the Marxist inspired approaches to development and modernization, there exists considerable underlying unity among the approaches and theories outlined above. Secondly, notwithstanding the severity of intellectual and civil resistance to the project of modernization of developing economies and associated political unrest and dissatisfaction, the grand expansion of the global capitalism has consistently instilled new lease of life to the modernization project. Thirdly, the implementation of modernization paradigm has patronised state-sponsored oppressions that marginalise and create widespread deprivation. Fourthly, contrary to creating 'freedom as development', the modernization project has reduced freedom and denied sovereignty to the indigenous people. In short, it is difficult to deny that development-modernization project has up-scaled crisis in more than one sphere of the developing societies and that the enchantment with West-inspired model of growth needs to be re-considered.

19.9 Questions :

1. Answer briefly (6 marks).

1. What is PCI?
2. What is HDI?
3. Discuss briefly the implications of increasing association between development and ecological crisis in certain parts of the globe.
4. Discuss briefly the major limitations of income based measures of development.
5. Discuss briefly Parson's concept of 'structural differentiation'.
6. Briefly discuss the relationship between the core and periphery.

2. Answer in detail (12 marks).

1. What are the major drawbacks of economic growth as the measure of development?
2. Discuss the concept of human development and its importance in the development discourse.
3. Explain the concept "development as freedom".
4. Discuss the role of 'dualism' in the development discourse.
5. Discuss any one theory of modernization.
6. Discuss the world system analysis of Wallerstein.

3. Essay Type Question. (20marks).

1. Discuss the concept of development. Critically evaluate the theories that seek to explain the process of development.
2. Discuss in detail how development and modernization are related. What are the major features of modernization?
3. Critically evaluate the theories of modernization. Discuss in detail why the modernization paradigm was challenged?

19.10 Reference

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UNIT–20 : Globalization, Culture & Culture Industry

Structure of the Unit :

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- 20.1 Introduction
- 20.2 Globalization
 - 20.2.1 Concept of Globalization
 - 20.2.2 Opportunities and Challenges of Globalization
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- 20.3 Culture and Globalization
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- 20.4 Culture industry
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20.0 Learning Objectives

- To familiarize the students with the concepts of globalization, culture and culture industry
- To explain the advantages and disadvantages of economic globalization and its implications for the communities, especially in the developing countries
- To outline the cultural implications of economic globalization

20.1 Introduction

Culture refers to the way of life that is constructed within a given environment. Traditionally, evolution of culture is spatially bounded and environmentally endemic.

Existing theories of cultural diffusion discuss how a specific form of food habit, artefact or socio-facts spreads out from the culture hearth to other places through movement of people for livelihood or trade. Industrialisation during the 19th century followed by the free market paradigm of 20th century and thereafter has revolutionized the modes of interaction and cultural exchange in addition to economic integration of the different countries. Establishment of capitalist regime in the West and induction of the East Asian economies initially and the rest of the world in sequel have had far reaching implications for the cultural and political transformation of the nation states. Globalization has unleashed novel modes of interaction that, as Appadurai (1996) identifies, are in the form of flows and connections.

Global capitalism is instrumental in delinking of the economic spaces from the respective political spaces of the nation states. But, this process is neither de-humanized nor is it devoid of the imprints of global power distribution regimes. Global capitalism intricately relates to how the global power structure dominates the flows of commodities and ideas. Following what Wallerstein later theorised as the world system model with industrialised world as the core and the post-colonial economies at the peripheries, the direction of the flows have consistently remained from the core to the peripheries. So, during the 1960s and 70s, the dominant flows have emerged mostly from the United States of America towards the peripheries and other industrialised countries as well. This is best explained by Ritzer (2006) through the concept of McDonaldization. The most remarkable aspect of this strand of globalization pertains to the non-material flows through media besides increased mobility of the corporate professionals who travel across the world cities (Sassen, 1991). Culture therefore is no longer bounded by spatiality and is disconnected to a large extent from the national identity.

Fallout of globalization of culture is both homogenization and heterogenization of cultural forms. Technological revolution has enhanced the pace of cultural diffusion. The hegemony of American culture predominates the diffusion process as it greatly influences the tastes and preferences of the recipient regions. So, largely homogenous cultural forms are articulated such that places and communities become indistinguishable. Homogeneity of culture erodes the identities of the territorial communities giving way to uniform consumption attributes of a mass society. However, a counter debate argues that the global cultural forms are selectively adapted to local flavour to enhance their appeal and marketability. Hybrid cultures evolve that are globally local.

Manuel Castell (2009) highlights the contemporary form-cultural globalization through the aid of sophisticated technology-enabled networks between firms and organizations. It encompasses the concept of 'network society'. It is necessarily a-spatial and unfettered from the bounds of national boundaries. Internet based cyber space and virtual associations configure the network society where information flows rapidly across space. Such fluidity of culture challenging the identities of the ethno-religious-linguis-

tic communities forms the basis of the global social order.

The final form of globalization of culture is the emergence of the culture industry. It resembles the take-over of hegemonic cultural diffusion by the capitalists for profit in a market economic space. The manufacturing of cultural products is under monopolistic production system that clearly depicts the global power asymmetries. The western production houses dominate the market with few near imitation from other parts of the globe. The tastes and preferences of the mass society are regulated tacitly such that what to demand is controlled inadvertently to suit the profit motives of the media conglomerates. So, the entertainment industry including media and magazines are reproducing non-creative products for cultural consumption which are ripped-off of artistic creation.

20.2 Globalization

20.3.1 Concept of Globalization

Globalization is a process that connects one country's economy with that of other countries and creates a new world order. Time- distance compression owing to technological revolution in transport and communication has encouraged greater interaction of the national economies. Globalization is therefore noted with more integrated financial markets, economies and trade, factor mobility and spread of knowledge and information through improved information technologies. So, the basic attributes of globalization process are:

- (a) reduction in trade barriers to permit free flow of goods across frontiers;
- (b) creation of an environment in which free flow of capital can take place;
- (c) creation of environment for free flow of technology;
- (d) creation of an environment enabling free mobility of labour.

20.2.2 Opportunities and Challenges of Globalization

Globalization and liberalization while offer several opportunities, there are a variety of risks that pose as threat to any economy.

Opportunities :

- a) Greater international capital inflow that boosts economic growth is the most important benefit of globalizing any economy. It improves efficiency of resource allocation that boosts growth. Competition leading to productivity gains and lower barriers to international trade kick-starts economic growth.
- b) Globalization has given impetus to higher level of international competition among the industrialized as well as the developing countries alike. With the

participation of some of the developing countries in the post-Fordist production system due their comparative advantage of cheaper labour power, the international competition has increased manifold.

- c) A corollary of competition among nations for capturing the international market is that products must be of good quality and competitive. So, globalization ensures higher quality of products.

Challenges :

- a) Greater integration of the world economies accentuates the pre-existing international inequalities. Benefits of globalization are not equally shared among all the countries that are involved in the process.
- b) The opportunities arising out of globalization and greater integration of the economies may offer substantive obstacles to the development path of some countries. The resilience of the domestic policies of a country determines the extent to which an international event would bring severe consequences and social costs. The East Asian macro-economic crisis is a case in point. So, the process of globalization is accompanied by social, economic, cultural, financial and political risks.
- c) The country's economy get more vulnerable to external changes as the economy, following globalization, is closely linked with the international market and events. So, it is exposed to external shocks and crisis such that any turmoil in the external market is immediately translated into a crisis in the domestic economy.

20.2.3 Economic Globalization and the Indian Middle class

The economic spaces have been restructured by globalization as investments have taken place in new industries including the new consumption spaces that appear particularly attractive to the urban middle class (Paul, 2017). Specifically, the information technology based industries (ie, IT and ITES), the new consumption spaces and the retail outlets, while have offered sanitised employment opportunities for many, these are also looked upon as means for upward social mobility. The Indian middle class stands impacted by globalization in several ways:

- a) The restructuring of the labour market particularly with respect to the newly emerged economic spaces have created a notion of respectability for the educated middle class who, otherwise was deprived of the blue collar job options. The IT and ITES have created active labour market opportunities for the middle class. The other outcome of economic restructuring pertains to the emergence of the retail chains and new consumption spaces like the shopping malls. The latter has inducted by-far a huge section of the middle class. The middle class historically has aspired social mobility through work spaces and perceive this opportunity as

a means for attaining the same. This is so because the new workspaces offer a plush work environment that is nearly at par with the standardised forms of corporate offices.

- b) Globalization has modified the domestic spaces of the Indian middle class in many ways. The retail outlets cater to daily needs replacing the regular 'bazaars' in many cases. Procurement of items of daily needs from the new retail spaces exclude a sense of 'elite' feeling because the it entails engagement with a space that is ritzy, technology driven and evidently classy. Second aspect of change pertains to care activity, especially mothering and also the food habits. Alternate avenues of nurture and child care have emerged with rising number of working mothers. It symbolises a change in the traditional way of life that was to a large extent encircling domesticity.
- c) The perception about leisure and leisure spaces of the urban middle class has been altered considerably owing to the emergence of the new economic spaces. The shopping malls offer secure spaces that the middle class women perceive as 'safe' to spend leisure compared to the open unguarded spaces that were available earlier (Paul, 2017). Moreover, the smart and lavish environment with world class amenities emits a sense of engagement with the global standard of entertainment that "provides them with opportunities to evade their class positions and construct new kinds of identities, distinct from their predecessors (Paul, 2017: p. 12). Paul (2017) also observed that income of the individuals have very little to do in their choice of engaging with these new leisure spaces.
- d) Globalization has however not been able to remove all vestiges of middle class sentiments. Caste identities continue to remain an organising force. Matrimonial ads speak volumes on that Also, the identities that have been constructed on the basis of alignment with the new economic spaces either through labour market participation or through engagement with the new leisure spaces have created a social distance with the non-participants. So, the emergent lifestyles and life aspirations of the middle class have formed fragmentation within the same class positions "whereby middle-class consumers have been sifted from those who are not part of this group (Paul, 2017: 12).

Things to do

Look through your daily life and identify how economic globalization has changed the lives of the people living in villages. Try to identify the different aspects that are under the influence of globalization.

20.3 Culture and Globalization

The relation between culture and globalization is quite complex. The two often overlap on one another and it is difficult to separate one from the other.

20.3.1 Concept of Cultural Globalization

Globalization although largely looked upon as a process of economic integration of nations, it is also an important socio-cultural phenomenon. It has crumbled several socio-cultural barriers that have traditionally stood on the way of global integration. The spread of global dress, music and literature coupled with the use of global lingua-franca (English) has offered a common platform for the people from across the borders. So, Cultural globalization refers to the transmission of ideas, meanings and values around the world in such a way as to extend and intensify social relations. It marks the consumption of shared cultures that are commonly popularized by internet, popular cultures and international travel.

20.3.2 Process of cultural globalization

Very few studies have sought to understand the processes involved in cultural globalization. Appadurai (1990) identified the content that orchestrates globalization of local cultures. According to Appadurai (1990), the five fold conceptual framework for the analysis of global cultural flows is as follows:

- i. ethnoscapas (flows of people).
- ii. mediascapas (flows of images).
- iii. technoscapas (flows of machinery),
- iv. finanscapas (flows of money).
- v. ideoscapas (flows of ideas)

It is accepted that media, technology, finance, ideologies and ethnicities travel across borders to transmit the cultural element from one nation to another.

The process of cultural globalization is complex. Firstly, it was Castell (1996) who argued that cultural elements are transmitted through 'spaces of flows', ie, delocalized networks of association in which managerial and entrepreneurial elites function. These are identical spaces that are strategically homogenised but offer critical platforms for cultural exchange. The second route to cultural globalization emerges from a new form of business culture commonly referred to as McDonaldization. It is based on the mode of operation of the chain of restaurants which has spread worldwide and dominates global culture. Thirdly, a widespread homogeneous global cultural form spearheaded by American popular culture encompassing the food, dress and music spread by internet and media commonly called McWorld constitutes the third route.

The main concern regarding cultural globalization relates to the question of identity. Conflicts between systems of meaning and values may interfere with cultural flows. Conflict between civilizations results from ethno-religious identities.

20.3.3 Effects of cultural globalization

Cultural/media imperialism

Following globalization, free availability of media content in any country has a very potent impact upon regional culture. As America dominates media culture, Americanization of most of the regional cultures is widespread. The way the value system is crafted, meanings attributed to various products and the sense of own identity is under strong influence of media imperialism. Emerging culture represents the political interests of the United States and other powerful capitalist societies. It is therefore a portrayal of power asymmetry between the industrial West and the developing world. Presently media imperialism symbolises the hegemonic dominance of western country-based media conglomerates, which control production, program content and worldwide distribution in the television, film, music and publishing industries (Kellner, 1999).

However, consumption of imported cultural goods and its impact upon perceived cultural norms is not coterminous. It is argued that often the inner family norms remain unaffected even after consumption of substantial amount of American media content like movies and serials. It is further observed in a study on young Indian men who consumed western media that their perceptions about family norms as well as gender relations did not change owing to their exposure to western cultural content through media.

Hybridization

This is a discourse that argues that out of the several cultural influences globalization offers, they are incorporated within national cultures selectively after adapting them to the local specificities. The globally propagated products and culture attributes are modified to appeal to the tastes and preferences of the local groups. The interaction of the global and local produce a 'hybrid' cultural form that is often called 'global localization' or 'glocalization'. Glocalization can be defined as 'the interpretation of the global and local resulting in unique outcomes in different geographic areas' (Ritzer, 2006: p. 239). A related concept globalization focuses on 'the imperialistic ambitions of nations, corporations, organizations and the like and their desire, indeed need to impose themselves on various geographic areas (Ritzer, 2006: p. 239). It primarily concerns a deep seated motive to enhance power and influence to grow profits across different nations and hence transnational corporations commonly spearhead the process. The extent of this assimilation is largely controlled by the strength of ethnic sentiments and characteristics of the national cultures.

However, hybridization of cultures is 'the site of struggle and resistance against imperialist powers' (Kraidy, 2002: 316). This is because, as Bhabha (1994) argues, contradictory meanings are created where local groups may resist the authority of the dominant groups. Hybridization rarely occurs spontaneously. Media conglomerates popularise hybrid cultural forms by adapting the faceless, de-localized products to the local contexts to enhance its appeal and to exercise hegemony over the national economies. This is successfully done through hybrid cultures instead of standardized cultural forms as they easily capture the local communities.

Homogenization & McDonalidization

Globalization of culture produces universal homogeneous models. The products are de-territorialised and 'placeless' such that people from different parts of the world are exposed to non-heterogeneous culture alike. According to Ritzer (1998), globalization allows the proliferation of cultures that are homogeneous bearing deep imprints of mostly western cultures in consonance with economic hegemonic expressions. So, western element, mostly American cultures dominate.

A very popular form American cultural dominance is McDonalidization that has its roots in the proliferation of a fast food industry to other parts of the world. More than the spread of a food culture, McDonalidization stands for a very specific form of production fashion. It works on four basic principles (Ritzer, 2006):

- a) Efficiency, ie, the best possible way of producing with competency
- b) Predictability, ie, production and consumption of exactly same or very closely similar products.
- c) Calculability, ie, quantity being produced.
- d) Control through non-human technology, ie, mechanization of the production process to remove unpredictability of man-made goods. It entails mass de-skilling of human resources as the fast food restaurant is automated.

Rise of mass society& post globalization societies

Increasing consumption of standardized products gives rise to a social formation that is stripped-off of diversity and major ethnic and cultural divisions. So mass society 'is a standardized, homogeneous society.....[where] the community is devoid of substantial regional and local variations' (Driskell, 2006: 244). Public media, standardized education system, occupation related mobilities and practises that have emerged out of globalization actively construct the mass society. So, there exists little difference between residents of New York, New Orleans or Texas. The territorial community is considerably undermined and mass society forms the basis of all scientific enquiries. Three processes, viz, urbanization, industrialization and bureaucratization, have been identified as producing mass society. Stein (1960) concludes:

'All of these studies during the 1920s and 1930s, then show increasing standardization of community patterns throughout the country with agencies of nationwide diffusion and control acting as centres of innovation. Intimate patterns become susceptible to standardized change as the mass media begin to inform each age group about new fashions and styles' (p. 108).

However, the community transformation is believed to have proceeded further where the mass society has given way to a 'third' type of society- the post globalization societies. Although debates continue, it is almost affirmative that the modern industrial societies have established new basis of social relationship and interactions which is variously called "the third wave" (Toffler, 1980), "the Informational City" (Castell, 1991), "The Global City" (Sassen, 1991), "Cyberspace Communities" (Rheingold, 1993) and so on. The post globalization society is different from the mass society on the basis of five major accounts (Driskell, 2006):

- a) Typical way of interaction based on associations among neighbours and peers is replaced by computer-linked social networks;
- b) Mechanised modes of production is replaced by automated modes;
- c) Class based social stratification gives way to merit and achievement based structures;
- d) Electronic means of communication via e-mail, mobile based applications replaces written modes of communication. But, it remains to see to what extent such modes of communication are able to trigger newer forms of interactions and social relationships.
- e) The travel routes are altered from local rural-urban destinations to international.

Attribute	Mass Society	Post globalization society
Typical way of interaction	associations	social networks
modes of production	mechanical	automated
System of stratification	Class	Meritocracy
Main means of communication	Written	Electronic
Main means of transport	Rural-urban	International

Adapted from Driskell, 2006.

Macrosystem Dominance

Globalization entails dominating impact of national and global economy upon local cultures. It 'includes the increasing orientation of the local community units towards extracommunity systems of which they are a part, with corresponding decline in community cohesion and autonomy' (Warren, 1978: p. 52). This is brought about by seven

developments in society-community relations:

- a) Increasing division of labour
- b) Growing differentiation of interests and associations
- c) Increasing systemic relationships to the larger society
- d) More bureaucratization and impersonalization
- e) The transfer of functions to profit enterprise and government, functions traditionally allocated to families and local ad hoc groupings
- f) Urbanization and subsequent suburbanization
- g) Changing values

Things to do

Discuss to what extent you and the people around you are culturally globalised? Try and outline a detailed profile of your best friend, a cousin, your parents and grandparents indicating their level of being Americanized or McDonaldized. You may also try evolving few indicators for the identification process.

20.4 Culture industry

The term culture industry was first coined by Theodor Adorno and Max Horkheimer (1944) to refer to popular forms of culture as factory produced cultural goods. They referred to films, radio, television programmes and even magazines as products of standardised factory produced culture goods that produce homogenised perceptions and pleasures.

20.4.1 Meaning and evolution of the Culture Industry

The culture industry owes its origin to the industrial revolution. The transition from agrarian society to the post industrial information-based, service sector driven economy has deep imprints upon the culture and modes of communication. The historiography of culture industry may be meaningfully categorised into the following phases:

a) Culture and politics: The friction between economics and culture is long drawn where class based renditions were paramount. Social inequality formed the basis of unequal access to media. The question of political ideology through expression of culture became very important during the Cold War phase. Complex set of cultural meaning either to establish or question the status-quo of capitalism became significant and the culture industry produced in alignment with its political orientation.

b) Culture under the control of monopoly capitalism: Subsequent to the development of culture industry that came under the grip of political domination, it was fortu-

itous that monopoly capitalism would come to control it. The products of culture industry, the entertainments and information based items alike, emerged as avenues of controlling the different spheres of life. Therefore, not only the work space but also the leisure spaces of the masses came to be dominated albeit passively but with great potency. The forces of political ideology eventually ramified through cultural expressions assumed commercial scale which inevitably was monopolised by powerful capitalists to control what to demand and how to produce the elements of mass consumption.

c) Emergence of cultural political space post 1970s: Post 1970s may be demarcated as the phase of commercial culture industry. It is often regarded as opening up of a cultural-political space that resembles 'degraded Americanized kitsch' (O' Connor, 2011: p. 27). Hence, it was essential to evolve a policy focus for culture industry to engage with the sector so as to contain the imminent negative externalities. Three major trajectories may be identified:

i. Firstly, the individual artists produced within the larger the framework that was constructed by the culture industry. As the cultural consumption needs of the all stratum of the society was important, the culture industry produced both 'popular culture' as well as 'high culture'. Thus, the culture industry attained a democratic basis for cultural production.

ii. Secondly, the culture industry came to operate like for-profit corporate. So, capitalist industries produced cultural commodities for the market with profit motives. To cater to the different segments of the market, the industry got segmented and sought to innovate within the confines of the established supra-paradigm of prevailing culture demands. The artists assumed the position of 'labour' that, rather than being creative professionals, were reduced to operate at tandem with the profit needs of the culture industry.

iii. Thirdly, the culture industry deployed modern technologies of production and distribution. This is in contrast to how culture is traditionally perceived as being completely creative expression.

So, the 1980s witnessed the rise of a culture industry that was market driven and technologically modern. It was tinted with political and economic logic. The pre-conceived notion of culture as purely artistic endeavour stood challenged and that mass culture popularised by the monopolistic multinationals on the eve of expanding market forces across nations guided the order of the emerging cultural space.

20.4.2 Characteristics of culture industry

a) The culture industry is highly technology dependent for production and distribution of the output. The production takes place in a definite location but the consumers are distributed in diverse locations. This has to be managed efficiently.

b) The management of the demand for cultural products is a misnomer. It usually

argues that the guideline for selection of the items to be produced is driven by those that are demanded by the mass society. But, in reality, the demand for the standardised products is tacitly manipulated by the corporate conglomerates who imbibe the specific forms of the tastes and preferences of the consumers. So, the economic power regulates the cultural needs of the mass society.

c) Products of culture industry discourage critical thinking and full its consumers to passivity. Further, Adorno and Horkheimer exposit that culture industry gradually imbibes such culture needs among the masses that they demand the products of capitalism for their satisfaction of cultural pleasures and that they are gradually rendered incapable of appreciating creativity. Hence, the culture industry is a process of commodification of symbolic production.

d) The culture industry is conceptualised as an instrument of regulating revolution. It is considered as ideological domination of capitalism by alienating the consumers of culture goods from their producers and by controlling the cultural products that are produced by the concerned capitalists at home or far away. It creates a structure of hegemony to maintain authority over the demand and supply of cultural goods so that the masses remain subservient to capitalist authoritarianism.

e) The culture industry produces 'pseudo individuality' by promoting homogenised forms of culture. The standardised products of the culture industry strongly directs the consumption needs of the people so that only a very few specific forms of capitalist goods emerge as valuable. This behaviour is far from being atomistic and is rather a massive phenomenon. So, although, most of the individuals perceive themselves as 'standing out from the crowd' due to his/her cultural preferences, in reality it is a convergence with the mass perception of capitalist goods.

f) According to Adorno and Horkheimer the culture industry produces elements that rather than allowing escape from the tormenting reality to a refreshing experience, appear to offer exertion to the spectators.

g) The culture industry rather than producing creative art forms that can elevate the souls of the spectators beyond the daily rounds of work and struggle, accomplish producing monotonous and often improper representation of sexuality. The beauty is mechanically produced and love is reduced to romance such that engagement with the product of the industry procreates illusions strong enough to arouse disdain among the spectators. There is exposure of the bodies to arouse pleasure which Adorno and Horkheimer considers debasement of drive.

h) Cartoons and stunt films were initially considered to represent flights of imagination against rationalism. However, the outline has transformed readily away from delivering justice symbolically through the reincarnation of the characters to uphold reward for righteousness. The contemporary forms of such production are technologi-

cally of very high quality but the content remains questionable.

The culture industry therefore represents pseudo-culture as it operates through debasement of culture. It is said so because production of amusement material is restricted to the conflation of mass production of undiversified ideas and its representations through un-sublimated forms. The key to this production system is not demand from the masses but from the capitalist corporate houses. So, entertainment through practise of culture is reduced to amusement routed through the means and objectives as impressed upon and popularised by the capitalists. Culture thus produced is bereft of creativity and is symbolic of corporate profit. It is not disenchanting from the global power asymmetries such that it operates with in the ambit of hegemony of the West.

Things to do

Identify any two mass media items that you find influencing your class mates and discuss how. Do you find any gender specific divergent outcomes?

20.5 Conclusion

Globalization while have created opportunities for some segments of the society, have marginalized few. Besides the ethical turn, there is clearly an aesthetic component of globalization. Culture when monopolised by capitalism takes a very salient form. The entertainment agencies, the products of the culture industry and the taste and preferences of the consumers are indirectly controlled to serve profit making of the corporate. So, the culture that is popularised is to a large extent market driven and far apart from aesthetics and creativity. While it challenges the notion of art, it definitely aligns with the inner logic of market driven global capitalism. Appreciation of western culture therefore raises critical questions about distanciation of the spectator from the hegemonic influence of both cultural globalization as well as the culture industry to realise how the global power structure plays out in areas that are usually perceived as a-political.

20.6 Summary

The above discussion seeks to bring out the interaction between culture and globalization to de-construct the present culture-scape and the underlying processes. At the outset it must conceived that although globalization is essentially an economic process, it encompasses all spheres of life including social, cultural and the political. Globalization is often perceived as rather a political process of economic domination because the global power asymmetries are re-entrenched in directing the flows and connections. The West continues to wield disproportionately greater control over the post colonial and newly industrializing economies where the latter continue to remain

subservient. While this status-quo is true prima-facea for transnational trade, labour and capital flows, it is re-iterated in the flows of ideas and lifestyles also. In short, the cultures of the peripheries are under very strong hegemonic control of the west, a phenomenon commonly referred as Americanization, McDonaldization and so on. It has steam-rolled a large part of cultural diversities as western cultural forms have penetrated into how meanings and values are structured and how the way of life is organised. Like the world city model, placelessness has crept into cultural consciousness of the segments of the population who aspire to belong to the global community. Occupationally mobile population and close affinity with the transnational corporations are some of the groups who experience such cultural homogenisation. But, media imperialism that is greatly imbued with western cultural elements proliferate deeper down to the tastes and preferences of the common masses such that the specificities of territorial communities are under conflict of retaining traditional culture and assimilation of the globalised cultures. To enhance the appeal of the global cultures, they are modified and adapted to local flavour to offer a hybridized platter readily consumed. Ingenuity of cultural globalization while homogenises, also creates hybrid cultures.

20.7 Questions

1. Answer briefly (6 marks)

- a. Define globalization. State briefly any two major impacts of globalization.
- b. What is glocalization?
- c. What is hybridization?
- d. What is mass society?
- e. Compare and contrast between Americanization and McDonalidization.
- f. Explain the concept of 'spaces of flows'.

2. Answer in detail. (12 marks).

- a. Critically evaluate the implications of cultural homogenization that emerges from globalization of culture.
- b. Discuss after Adorno and Horkheimer how culture industry commodifies culture.
- c. Explain Appadurai's formulation of process of cultural globalization.
- d. What is media imperialism?
- e. Explain how the culture industry creates 'pseuo individuality'.

3. Essay Type Question. (20marks).

- a. Define cultural globalization. Critically evaluate the major effects of cultural globalization.

- b. Trace the evolution of the culture industry. Discuss the major characteristics of the culture industry.
- c. Trace the interrelation between globalization and the culture industry with special focus on how it creates globalization of cultures.

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