CHAPTER IV

MARKET: A CONCEPTUAL FRAMEWORK

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CHAPTER IV
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Global market, marketplace, marketisation, commodification, liberalisation, privatisation, globalisation and such other terms have become the catchwords in the present day context. We get to hear these terms very often practically in all discussions and articles in newspaper and journals. What is so special about this ‘market’? How is it understood, interpreted and analysed? Does ‘market’ have any structure? Is it an institution? Or a system? If so, how does it function, and how does it change? These are the issues, which bother many academicians right with respect to its definition, concept, understanding, and interpretation.

Confusion still persists on the understanding of ‘market’ even after reviewing a large database of literature on market. A conceptual clarity is essential before proceeding further into this research, as the research concentrates also on the idea of ‘market’ rather than just the concept, activity and its structure, functioning, pattern, growth etc. The researcher in this study intends to set out a generic or general conceptual framework for viewing the ‘market’ from an ontological perspective. Further, it is essential to analyse the concepts in its original meaning and its application used in this research, for instance, ‘market’, ‘marketplace’, ‘market-system’, ‘market structure’, ‘market as an institution’, market a product or the produce, and more importantly, rationality, logic, maximisation, profit, utility, etc.

THE TERM MARKET:

The etymological meaning of the term ‘market’ dates to pre-12th century, ultimately Middle English term via old French dialect and is derived from the Latin word mercatus, from the past participle of mercari to buy, from merx goods (source of English merchant and commerce).
Sills (1972) in International Encyclopaedia of Social Sciences defines ‘the market in the most general sense is the entire web of interrelationships between buyers, sellers and products that is involved in exchange’. Similarly, Oxford dictionary (1990) defines market as 'the gathering of people for the purchase and sale of provisions, livestock, etc., especially with a number of different vendors and the time of this’.

Markets in the most literal and immediate sense are places in which things are bought and sold. Put in other words, market as a means by which the exchange of goods and services takes place as a result of buyers and sellers being in contact with one another, either directly or through mediating agents or institutions (Encyclopaedia Britannica 2003). As Cournot: Economists understand by the term Market, not any particular market place in which things are bought and sold, but the whole of any region in which buyers and sellers are in such free intercourse with one another that the prices of the same goods tend to equality easily and quickly (Encyclopaedia Britannica 2003) (originally in Recherches sur les Principes Mathematiques de la Théorie des Richesses, Ch. IV).

In some cases, market is a commerce gathering for buying and selling; a gathering of people who sell things, especially food or animals, in a place open to the public or other buyers, especially a gathering that is held regularly a cattle market. (Dictionary.com).

Originally, market, a kind of place where buyers and sellers gathered an agreed prices by a noisy process resembling a street-auction, with all the participants in ear-shot of one another. In modern times, the concept of market is extended by analogy to refer to a ‘social space’ where products are sold and prices agreed in a way approximating the ‘ideal’ conditions of the ancient marketplace—but in reality sales are transacted at widely separated times and places (http://www.marxists.org/glossary).

Jevons (2003) says ‘originally a market was a public place in a town where provisions and other objects were exposed for sale; but the word has been generalised, so as to mean any body of persons who are in intimate business relations and carry on
What are Markets? Goods and services are traded in markets. Usually a market is a physical place where buyers and sellers meet to make exchanges, once they have agreed on a price for the product (Watts 2003). One kind of marketplace is a grocery store, where people go to buy food and household products. However, many markets are not confined to specific locations. In a broader sense, markets include all the places and sources where goods and services are exchanged. For example, the labour market does not exist in a specific physical building, as does a grocery market. Instead, the term labour market describes a multitude of individuals offering their labour for sale as well as all the business searching for employees. Traders do not always have to meet in person to buy and sell. Markets can operate via technology, such as a telephone line or a computer site. For example, stocks and other financial securities have long been traded electronically or by telephone. It is becoming increasingly common in the United States, even in India, for many other kinds of goods and services to be sold this way. For instance, many people today use the Internet- the worldwide computer-based network of information systems-to buy airline tickets, make hotel reservations, and rent a car for their vacation. Other people buy and sell items ranging from books, clothing, and airline tickets to baseball cards and other rare collectibles over the internet. Although these internet buyers and sellers may never meet face to face the way buyers and sellers do in more traditional markets, these markets share certain basic features.
The 'market' is conventionally seen as operationalised atomistic realm of impersonal economic exchange of homogeneous goods carried out by means of voluntary transactions. These are mediated on an equal basis by large numbers of autonomous, fully informed entities with profit-maximising behavioural motivations and able to enter and leave freely. The market is thus the supreme medium for the expression of individual choice (Hodgson 1988).

For Plattner (1989:73) in an anthropological purview “market is called a public marketplace, meaning that it is composed of small, owner-operated firms and owned and operated by a municipality. Public markets were the dominant urban form of market in developed societies as well until the early twentieth century. The food function of such markets was then replaced by chain stores, and later by supermarkets; the durable goods function was replaced by central shopping districts, and later by malls.” ... “Malls have the social excitement and public safety of marketplace and are used for recreation as well as shopping. Teenagers use malls to meet and socialize with each other, and old people use them as safe places to be with other people or to exercise out of the weather”.

However, in any case, Dhankar (1995:9) says, no two markets are exactly identical. They differ in their character, and specific needs which depend upon a host of factors such as product (commodities traded), periodicity (hourly, daily and weekly market activities), actors or agents involved (number and type of sellers and buyers ) and functioning (number and nature of functions performed in the market, viz, wholesale or retail).

The 'market' is used in various forms and contexts using different terms. The term so commonly used is in fact gives definitely a picture of a marketplace. Is it true with every one? Do all of us get the same picture in our mind when we think of market? The concept 'market' is so vast and complicated that one cannot even say with confidence that all of us do have the same image of market. In reality, the term, ‘market’ creates different images in the minds of the people particularly in the urbanised setup or even in a rural setup. However, it is essential to probe in the etymological meaning of the
term ‘market’, its understanding by various disciplines, thinkers, and its evolution as well in terms of structure and function. Many a times the concept of market is mistaken with marketplace, marketing, social marketing, product marketing etc. In fact, there are several types of market, which further confuse the concept in understanding and concretizing the market. The types can be further categorized into marketplace, market activity, black market, grey market, assembly market, wholesale market, retail market, super market, regular periodic market, seasonal market, daily market, mall, bazaar, cart market (vendors) etc…

Broadly, ‘market’ is understood at two levels, marketplace and market as institution. In addition, market can also be understood at micro and macro level under the heading of marketplace and institution.

At the outset it is clear that the basic premise for the existence of market is the transaction or exchange (interactions) between ‘actors’ (economic actor or social players). These interactions are not taking place in vacuum or isolation, but in the societal context. The establishment of ‘market’ is as old as human beings, and has evolved over a period of time giving different shapes to its structure. In addition, these interactions are being carried out in a context not just by the individuals per se, but the groups they represent in a socio-cultural setup which has a set of established set of rules and regulations, institution. These structures and institutions are not found commonly in the same setup in all other societies, but in different forms. Each market is unique of its own.
Now the question that arises is, is the market a product or a produce of...? Then, what does market produce?

In this frame of reference, the most important question to ask about a market is not what it is, a question which emphasizes the market as a static object or product or artifact. The questions that need proper understanding are what produces market (how is market produced) and then what market produces needs phenomenological understanding.

**Market Produced:**

‘Market’ is the resultant, produced or brought into being, by the efforts of various natural and social energies and forces – that is by various human and non-human actions: climates, topographies, geographies, plants, animals, economies, institutions, cultures, histories, governments-regulatory norms, architectural forms, and identities, knowledges, urban imaginaries, discourses, science and arts, technologies, and everyday habits of being. Amalgamation of all the components operate as formative structuring and regulatory processes to produce the market-again, not as an object or product but as a productive process, a becoming that is ‘alive’ and continuously undergoing change but that is also productive generative.

A view of the market that is essential not incidental needs to be understood from the multiple perspectives is focused upon the everyday practices of its local and global, past and present, producers and inhabitants. It also holds that the knower of the market cannot be separated from the object known – that is, ‘the market’ and suggests that it is not possible to ever fully know the market in its complexity and totality. Thus, all views of the market considered ‘subjective’ and partial. In toto, market is the product of society, which is known to the knower of the creation and formation of which s/he is a part of that creation either. The ‘creator’, that is society has structured the relationships in, led by the equations of the reproducer of market.
The process of productions of the society towards the relationships and other by-products can be visualised roughly in the following manner;

**Producer (Society) produces** → **Relationships** (pillar of all interactions) → **'Market'** (Process, yet essential) affected by the constituents of **Social Factors** (Fact) yielding **Equations** → continually affecting the **Reproduce** (forms of markets) to re-organise and re-structure.

Understanding, the continuous generative processes of market yielded by 'equations' further yield 'newer markets'. The market is ever changing in the process by the reproducer (the same producer, society) yielding new forms along with new contents. This argument is followed by the second question, what Market produces?

**Market's Produce:**

Along with the market being produced in the process, it produces in return and as a reaction. Market produces and reproduces both products and processes to the producer. In the ever changing world market produces, ideas, notions, theories, geographies (redefining boundary), economies, governments (again as new forms of regulatory agencies), and more so the structure, cultures, habits, norms, knowledge, technology; subjects and objects, finally histories.

In this conception, it should not be mistaken as the market is setting a stage of the human actions. It is producing 'human' actions' in a very limited sense, of the term, that market influences human actions, but with reservations with the societies and cultures. These societies open and close, structurally and culturally observe and reject respectively. These societies structurally perform in an institutionalised setup as systems. However, in the process of evolution, new forms of market emerge leading to the newer understanding of the 'market'.

Market, having its own politics to play, performs in a system and subsystem.
Subsystems are interconnected and complex. But sometimes the same can be antagonising sub systems. Markets are not as simple, instead it has an hierarchy of its own in the social ladder and thus a status hierarchy of firms, institutions, and organisations are also found in the order, of course pertaining to the particular societies.

**Market Embedded Concepts and Notions:**

Market as highlighted is both produced and a producer has originated several notions and theories of market. The classical economic doctrine of 'man being rational' in the market, and the rationality dependent on the 'maximisation of profit and utility' by the actors is being reviewed.

The terms 'rational' and 'rationality' have been the subjects of debate for a long time. The etymological meaning of the term 'rational' according to Oxford dictionary is it is derived from the Middle English from Latin word 'ratio' and 'ration' defines it as based on reasoning or reason. 'Rational' implies the ability to reason logically, as by drawing conclusions from inferences, and often connotes the absence of emotionalism (as construed, as man is a rational creature). The statement 'Men are Rational and Women are Emotional' (Gray 1992) and the association of Reason with men and Nature with women is well known, and has been widely criticized. Aristotle defined Man as a "rational animal", and by that, he really meant men, not human beings. Unlike Plato, he saw women as less able to reason, hence less "human" and more "animal". This issue will be debated in the later chapters.

It is constructed hitherto that being rational has almost become being economical. The economic transaction in the market means or should end up with the maximisation of profit and utility. In the market context, rational thinking is ought to have been meant with economic way of thinking, and similarly, economic way of thinking has become rational thinking. Interestingly, this rational way of thinking also comes with a package of profit maximisation and utilitarianism. Juxtaposed to this argument or construction, one has to question the rationale behind the rationalisation of economic thinking as
‘rational’ and defining such activities as rationalist, rationalistic,… ultimately rationalism as a theory.

Rationality is also a construct or construction of the society. That is, if one thinks and acts ‘accordingly’ then it is rational otherwise irrational. What is constructed by the charismatic or intellectual is accepted and renowned until a new but famous ‘rational idea’ emerges, for example, the understanding and theories on the solar system prior to Galileo and Copernicus and later. Why should that be rational, and this by itself seems irrational. Weber rightly mentioned that we are in the ‘iron cage’ as we are perpetually habituated forcibly to accept the ‘rationality’ of the constructed existence and surroundings.

Weberian concept of ‘rationalisation’ dwells also on the same lines of course, with a difference. With the increase in inquisitive attitude of man in the recent past has led to the application of the same in the fields of science and technology. This resulted in the invention and discovery of many new things and gadgets which are facilitating in the matters concerning our daily routine life making it much simpler and easier. However, this development of rationality and its application on science and technology is not replicated or reflected in the social scene. In fact, the social scene still continues to remain same on several matters and is not ‘rationalising’ along the lines other things have, the creation of which is by the same human being. So the logic that is applicable in terms of mathematics, chemistry, engineering (applied aspects) do not reflect on the social aspects of the society. So it is all the more difficult to predict or make projections on the lines of rationality. Because the rationality presupposes certain constituents or has some prerequisites of elements in reality be it mathematical calculations or social calculations. Mathematical calculations have various factors constant, whereas, in society no factor as a matter of fact, remains constant at any given point of time. So rationality in the social scene is subjective and relative and thus cannot be generalised. . The term ‘reasonable’ is a less technical term and suggests the use of practical reason in making decisions, choices, etc. ‘Sensible’, also a non-technical term, would be appropriate, implies the use of common sense or sound judgment.
Simultaneously, it is essential to understand or re-understand the concept of logic. Logic is the branch of philosophy that analyzes inference, and logic is reasoned and reasonable judgment. It is the set of principles that guide reasoning within a given field or situation or a system of reasoning. The social science research particularly can dwell more on ideological, theoretical and practical scene and not mathematical logic. But one could make an attempt to explain mathematically not with precision (which is highly possible to obtain). As what is logical to one need not be logical to another as usually they never match. Interestingly, 'logic' has a very important place in history of humankind, which is 'believed' (understood and constructed) to be a quality of few not all (a debatable assumption, is questioned now.). Being logical and logic by itself is absurd in nature. So, in continuation one can easily state that the social actions (including economic action, which is a part) are logical, sensible, because each individual would understand logic or rationality in his/her own way?

Even otherwise, how can a thought in the stream of process ignore the social component in the situation and still continue only with the monetary aspect? Should we not move towards the modal logic (a system of logic whose formal properties resemble certain moral and epistemological concepts), which in reality explains better?

The element of rationality is not common to all and all actions are not rational in the same way it is conceived of. Pareto, an economist and a sociologist mentioned that most of man’s actions are non-logical and when probed, tends to give logical reasons to his/her actions. Further, why is it that in market always rationality be attributed to economic parameters. Why should one take or buy the economic argument that man in market or his/her actions are 'economically' rational, logical, calculative and all other actions are 'non-rational', 'non-logical', 'non-calculative', or 'irrational', non-economic but social actions.

Here, in this context it seems everyone is looking rationality from the single dimension or trying to defend the social actions from the economists' perspective. If one
tries to analyse, social actions, first of all, one has to understand social actions and logic and then figure out, how logical, in the sense that people are behaving or reacting to an action or series of actions in a social and cultural context. Every action presupposes calculation, then how can the economic transaction forget the social space. Or is it, in the equation (relationship) the social components are treated as constant? On the contrary, men consider the social aspects while calculating as it is the most crucial element in any human equation. This would be logical and is nothing but sheer common sense, seems to have been missed out in economic thought.

Now it becomes very essential to probe further into the concepts, maximisation of utility and profit. The term maximisation gives the meaning, to enhancing or to increasing. This enhancement and increasing tendency is the nature to human being, be that anything which pleases him/her. The question that is being raised in this context is should that maximisation be always utility and profit? Utility, is nothing but the usefulness and ultimately consume – when we talk of consumption should that always be the consumption of commodity, or services, what about the 'social consumption'. ‘Social consumption’ could be defined as the respect, recognition, status, honor and greetings in the exchange (economic as well). Similarly, should profit also be evaluated in economic terms? Profit is something which is obtained in extra over the expectation, most commonly used in the relation with transaction and in economic parlance. It could be something surplus one has obtained from the transaction and more specifically relationship. These surpluses could also be in social aspects.

In this understanding, profit and utility differs when the parties involved offer differently compared to others and even then the concept of profit and utility in the relative sense prevails. Moreover, the market situation is not the same anymore. Earlier, the market was an open system, where the actors were free to enter and exit. For instance, the buyer could go in search of a seller of the commodity sought. On the other hand, the seller could also go in search of a buyer of the commodity to the sold. Here several factors have changed;
1. Markets are no longer open (in the conventional economic sense). In other words, shops are established in a fixed location with physical and geographical characteristics.

2. Seller goes now in search of commodities for purchase than the other way round (though, sellers do hunt for the potential buyers through various means).

3. Now there are plenty of shops or sellers in the market offering same price (FMCG products in MRP) and same quality for the same products across the market.

4. When the commodity’s price and quality are constant, the question now arises is how does one maximise the profit and utility?

Now it becomes clear that the earlier notion of market does not hold good in this context, when price, commodity and quality are same, and actors look for ‘social space’, ‘social consumption’ in the exchange.

Even in terms of profit, and its maximisation people are maximising profit in other forms. In other words, should profit always be seen from the monetary terms? Can’t there be social, cultural and mental peace or pleasure in transaction. These are some of the major areas where a detailed research needs to be done, when other things are constant. To go a step further, in the evolution of ‘rationality’ of economic transaction should enable both the players benefit with varying degree but in no way loose.

The classical economic doctrine of maximisation of profit and utility can be explained in the following equation. Economic transaction, which accordingly is the resultant of maximisation, is used synonymously for the purpose of argument. Price is the function of supply and demand.

\[ P = f(S, D) \]

Further, the economic transaction i.e., Maximisation of Profit and Utility is the function of (Price, Income, Product and Time).

\[ ET / Max = U \& I = f(Px, Y, Py, t...) \]

With the time and product being constant, the debate would prevail upon the price of the product between the potential buyer and seller. The maximizer in this process is branded as profit to the seller and utility to the buyer. In the context of the conventional sense that
time cannot be constant and the price depends on the supply and demand gives a clear
picture. These aspects are taken as constant as the products are available at all times, and
at same (MRP - Maximum Retail Price) price and at all shops. The potential buyer and
potential seller become important for any such calculation.

\[ \text{Max}U \& \Pi = \left( \frac{P_b}{P_s} \right) \times \left( \frac{S}{D} \right) (Pxt) (k) \]

The market in the present context is not being understood at the open or free
market situation, but in a fixed price situation, that is MRP situation. The base of analysis
begins without taking into account the product, time, supply and demand. Hence, the
factors in [ ] bracket are treated as constant (k).

\[ \text{Max}U \& \Pi = \left( \frac{P_b}{P_s} \right) \times \left( \frac{S}{D} \right) P(K) \]

ET = Economic Transaction
Max = Maximisation
\[ \Pi \] = Profit (seller)
U = Utility (buyer)
Pb = Potential buyer
Ps = Potential seller
K = Constant
t = Time
P = product
Px = price
S = Supply
D = Demand
B = Buyer
S = Seller

It is not only important to analyse by treating the ‘economic’ factors as constant,
the number of potential buyers and potential sellers predominate the scene. In fact, the
physical proximity is also an important element in the economic transaction particularly,
when the shops are located and buyers look for shops when it necessitates them.
Maximisation of economic transaction cannot be understood at one level but needs to be visualised and analysed from two point of views, one profit and then utility as they are addressed to different actors in the market transaction situation. However, more than this aspect, what is interesting in this research is not just the profit and utility but the factors which affect these transactions. These transactions are not held in vacuum, but in societal context. The transactions are affected much more by the social factors is the premise upon which this research is built, though this is proved after the verification with the primary data collected.

When the equation of economic transaction is broken there are two basic actors seller and buyer. ‘Logically’, if one has to maximise (in an interaction or exchange between two actors/individuals) the other has to loose or not maximise. So, it is rational or logical for one for being transacted ‘rationally’, and ‘logically’ as s/he has gained/maximised the profit or utility. What about the other? Was s/he ‘irrational’ or illogical'? In such case, one has to cheat, deceive, fudge, fraud, betray, bluff or manipulate the other, which is against the morality, culture and social justice of the land (society).

It may also happen this way, that today individual ‘A’ might have made profit against individual ‘B’. Whereas, individual ‘B’ might maximise profit tomorrow against ‘A’ so who is ‘rational’? Secondly, between the two in economic transaction who is the judge, to decide whose act was rational? Then what is ‘rational’ to one need not be rational to another, and similarly the other person might be thinking that s/he was rational and maximised profit against her/his opponent. This concept of ‘rationality’ is absurd even in the economic terms as the transactions are contextual void of social factors. It is not only absurd but very subjective in nature in itself and also in the context of information.

If such ideas were dominant, that might have been possible in the primitive era or in barter exchange system period and also in the period where more number of people weren’t educated (not literate) in this parlance (as economists assume). In fact, the
situation is different, each actor is aware of everything, well informed, qualified and quite strong economically, politically, socially and legally. In such a situation, the classical doctrines of maxims, utilitarianisms etc (don’t hold good) would not stand. Such ideas look elementary and immature to talk even today in the highly complicated, hi-tech world, where every action needs to be understood from several dimensions as societies are functioning in a different way altogether. In this context, Veblen’s (1898) statement ‘Economics is not an evolutionary science’, is valid, as the science and thought should also grow along with time and space. However, this statement is made more than a century ago, and economic thoughts also have changed considerably in the social directions in the recent times (economists like Becker, North).

However, one can argue for the calculated move, by the man in the market, presupposes that such calculated actions should have social acceptance (which works intrinsically) with the help of explicit (and extrinsically) the well established institutionalised instruments and services (and not otherwise). Logically, analysed it becomes clear that economic transactions are also taking place in a social context, where transactions’ patterns, behavioural prerequisites are clearly predefined at any given point of time in any society.

In addition, more than the conceptualising the events as well as phenomena and theorising them would not suffice in an ever changing world. In reality, the conceptualisation should also change and grow along with the context. The importance should not merely be on conceptualising, but more emphasis should be given to the contextualising contextualisation. So the contextualisation of concepts and with this time conceptualisation should change and continue to do so.

**Market Actors:**

Who are the market actors or market players? How do we define a player or an actor? In economic parameters the element of potentiality emerges, that is, buyer in the market is one who has the potential to buy a product or good or service at a given point of
time. Further s/he should be interested in purchasing. Similarly, a seller is one who is willing to sell the product/good or service in the ‘market’ to any potential buyer at a given point of time at a price. Further, middlemen are also involved in the market that can be considered as actors of market (however, the researcher is not interested in the role of middle men in this context). The researcher is not concerned with middlemen, buyers’ market, sellers’ market and things like that, but confines only to buyers and sellers. Now who is a buyer and seller, its better not to take the economic parameters but is essential to visualise it from the sociological perspective. In this context actors of ‘market’ need to be clarified first.

In this research buyer is not identified and perceived just to check the potentiality of a person to buy. Here, by assumption, already there exists a relationship between the two actors (buyer and seller) in the market. The researcher is trying to probe into what type/kind of relationship exists between the two, since how long, on what basis, just economic or other reasons etc. need to be probed in depth.

‘A market’ is therefore an extended social formation in which the needs of people are met by the labour of other people through a network of exchange relations connecting everyone who is part of the given market. ‘Market’ is also used with the more generalised meaning of ‘effective demand’- that is, the presence of people both willing and able to pay for a given commodity.

After having questioned the concepts and it’s understand, the working definition and understanding of related terms were discussed. However, these terms and the understanding of market phenomena it is attempted to analyse and examine in different theoretical perspectives. The next chapter gives a glimpse of sociological theoretical perspectives under which the market phenomena is verified and examined.