CHAPTER I

INTRODUCTION

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CHAPTER I

INTRODUCTION

"A customer is the most important visitor in our premises. He is not dependent on us. We are dependent on him. He is not an interruption to our work. He is the purpose of it. He is not an outsider to our business. He is a part of it. We are not doing a favour by serving him. He is doing us a favour by giving an opportunity to do so".

- M.K. Gandhi

CONTEXT:

'Market' has become important in this liberalised era of all economies in the world. It is such a common institution that it is a part of everyday life of the individual today. We live in the age of the market. The idea of market dominates our everyday discourse and political reality. Jobs, spouses and commodities are all available and can be obtained in their respective markets. After the collapse of communism (market), the open market (capitalism) appears to be perhaps the only viable form of exchange or co-ordination in a complex economy (Lie 1997:1). With the changes in the world and urbanisation market has gained more importance in the academic and practical world than ever before. With the changes in the global phenomenon, because of globalisation, liberalisation and privatisation, it has become all the more important to study and analyse 'market'.

The exchange of goods and services is a central theme in economics, but it has many social dimensions. The present research work examines how economic exchange or 'market' is affected by the social and cultural contexts within which it occurs. The study is also aimed at probing other central themes, which include: emerging patterns of market exchange, types of social institutions necessary to make economic exchange predictable and safe (social controlling agencies), understanding the questionable and debatable assumptions, notions, issues, and concepts like 'rational', 'logical' vis-à-vis 'irrational', 'non-rational', 'non-logical' actions concerning the idea of 'market'. 
The term ‘market’ has a number of connotations. In the common parlance, it means a place where buyers and sellers come together to exchange goods and services. If one gets deeper into the analysis of the term, it is clear that there exists no uniform and common understanding of the term ‘market’. Different thinkers of various disciplines have coined their own definitions and understanding of the term and the activities involved thereby. The question here is not just to probe into the meaning of the term ‘market’ but much further into its structure, functioning, patterns, changes and its implications on the society.

The ‘Market’ is a central building block in the edifice of modern economic theory (Wang 1999:1). It has been the central and sole property of economic discipline and it has been argued that in market the people (‘economic agents’ or players) act rationally to maximise the utility and profit (the rationality of economic activity was rooted in the self-interest of the individual). Hence the economists’ (classical and neo-classical; Adam Smith 1986; L Robbins 1935; Alfred Marshall 1920) argue that there is little place for social aspects in market. This is a moot question. It is presumed that not all social acts were economic: not all-economic acts were social. Some acts were both social and economic. To go a step further, while questioning economists’ assumption that economic action is primarily rational and all other actions are irrational, it can also be argued that not all-rational action is economic.

One needs to be very clear about its meaning and the context in which one is talking. Number of studies have been conducted by scientists from various disciplines on matters concerning ‘market’- including Economic Historians, Anthropologists, Geographers, Rural and Development study scientists, Economists, Sociologists, and the like. However, the ‘market’ is yet to become a prominent and practicable area for sociological enquiry, despite its ubiquitous and all pervasive nature. It is not uncommon, even today, to consider the concerns of the market research interests of economists alone. What needs to be stressed is that the ‘market’, which is a part of the daily social life, involves not only economic but also cultural, political and social aspects.
Market societies have created more wealth and more opportunities for mankind, than any other system of social organization in history. Yet we have only a rudimentary understanding of the term. Markets themselves are social constructions that require extensive institutional support. This work seeks to fill this gap in cognitive explanation, to make sense of modern capitalism by re-examining, re-understanding and re-interpreting the ‘market’ phenomenon and institution from the sociological dimension. Addressing the unruly dynamism, which capitalism brings with it, leading sociologist Neil Fligstein argues that the basic drift of any one market and its actors, even allowing for competition, is toward stabilization (2001). This issue also demands a careful sociological attention.

Sociological investigations of economic exchange reveal in what way institutions and social structures shape transaction patterns among economic actors (Sorenson and Stuart 2001). ‘The study of markets cannot be scientific unless studied in the context of their relevant institutions’ (Penny 1985, reproduced in White 1996:20). The present study endeavours to understand the dynamics of ‘economic exchange’ from this broader institutional perspective.

The early economies are thought of as local exchange within a village (or even within a simple hunting and gathering society). Gradually, trade expanded beyond the village: first to the region, perhaps as a ‘bazaar’-like economy; then to longer distances, through particular caravan or shipping routes; and eventually to much of the world. At each stage, the economy involved increasing specialization and division of labour and increasingly more productive technology.

Markets having a definite structure of their own are also seen as an ongoing process, which is termed and used in various circles as ‘marketisation’. This process is understood and explained in the context of changes that are taking place with the changes in shapes and dimensions both in form and content. These markets evolved with time and space, have taken different forms uniting and integrating ultimately leading to Single Market Programmes (SMP), like European Union and to some extent SAFTA, SAARC, etc.
AN OVERVIEW OF THE LITERATURE:

In studying trade as an aspect of economic development, different social science disciplines have focused on different aspects of market. Economic historians have conducted several studies to understand the market from the historical perspective as well as in their respective time and socio-historical context. Polanyi (1944) has analysed precapitalist or traditional societies, Blackman (1962; 1967) looked into Britain's grocery trade in nineteenth century, Britnell (1978; 1979; 1981) analysed English markets, fairs and royal administration before 1200 A.D., Biddick (1985) explored Medieval English Peasants and market involvement. Similarly, studies by Rowe (1900), Braudel (1985), Scott (1988), and Dyer (1989), has given a different picture of the markets in the past. Carolyn (1995) gives a historical account of the growth of marketplace and also its demise. Yousef (1999) mentions briefly the outline and the evolution of Egyptian commodity markets 1800-1939. Grabowski (1999) Hayes (2002), have attempted to understand trade, market activities in the past. Miller examined the grain trade in Northern France between 1700-1860 (Bossenga 2000). Hoffman has analysed the political economy of credit in Paris 1660-1870 (Carruthers 2001).


Economic Anthropologists, on the other side, have also tried to understand the trade, market and exchange activities in various societies across the world. Malinowski (1922) made a pioneering study of the exchange system, market of the kula ring near New Guinea. Knight (1933) explicated economic organisations, and Bunzel (1938) examined the economic life of primitive peoples. Berdan (1989) unveiled the trade and
markets in precapitalist states; Bossen (1989) tries to explore the women and economic institutions, Smith (1989) and Stuart Plattner (1989) studied various aspects of economic concern from the anthropological perspective.

Geographers have studied ‘market’ in terms of location, distance, patterns and weekly market structures. Bromley (1971), Bohle and Goettingen (1981) and Hugar (1984) analysed the weekly market and on spatio-temporal patterns, whereas, Yousef (1999) on transportation and other geographical dimensions.

Agricultural scientists have also conducted studies to observe the development of rural societies along the line of market developments and the changes in them. Regulated market and its aspects were examined by Harriss (1980) and Saxena (1992), labour market and its impact by Nair (1997) and agricultural marketing of Ardhat commodity by a community Ardhatdari by Gupta (1998), to name a few.

The political economy of market and its influence have been studied by many social scientists. These studies have tried to analyse the development of market in relation to the state and its governance. Markets as such have grown over a period and the intervention of the state as a regulatory agency is being witnessed in almost all parts of the world in one form or the other. State is perceived as the social controlling agency in the history of markets. Regulated marketing in the market place (Harriss 1980), governability in society (Nielsen and Hviid 1986) and the intervention of state as a controlling, and regulating agency (Nayak 1996; Gordon 1997) have been the subject matter of many in the recent past. Andersen (2000) highlights the involvement of politics as the market grows. Similarly, certain studies are also carried out in relation with market and governance - regional, national and global (Peng 2001; Podolny 2001).

Recently, quite a number of studies were conducted on the Single Market Programmes (SMP) which intends the unification of various markets in a region, such as European Union. These kinds of developments in the market scenario make it highly conducive to have detailed study on the market per se. It is because, one has to find out
what would happen to the market and also its impact on society, in general and social institutions in particular.

However, in spite of all these studies conducted by various social scientists from different background mentioned earlier, the discipline of economics still occupies the pivotal place over the concept of ‘market’. Classical economists have predominantly influenced their doctrine of ‘homo economicus’ and the actors in the market being ‘rational’, having profit/utility maxims’ which strongly influenced the studies mentioned earlier. Economists have conducted innumerable studies on ‘market’ and plethora of works can be cited in this context; Smith (1776) Marshall (1920), Robbins (1935) Akerlof (1970; 1976; 1980; 1984; 1984a) on rational models, exchange system, labour contracts etc. Duesenberry (1960) wrote that “Economics is all about how people make choices”. Becker (1965; 1968; 1976) and Blaug (1985) have worked on economic theory, Brunner and Meltzer (1971) on the uses of money, Colson (1974) on the tradition and contract and the problem of order. Dyer (1989) analyses the ‘consumer’ in the market of late middle ages, and Grabowski (1999) analyses the evolution of impersonal market along with the market evolution and economic development. Simons (1991) turned homo economicus into REMM (resourceful, evaluative, maximizing man) and it is not always acting rationally, but as optimally as a given situation allows. Scarcity is a ubiquitous condition of life compelling choice; hence, all behaviour has an economic aspect. Some economists have taken the imperialist element to the limit in arguing that economics is the only true and necessary social science (Kern 1997).

Questioning the economists’ hegemony on the study of market, many sociologists have raised logical questions about the concept of ‘homo economicus’, the doctrine of ‘rationality’ of man in the market and the maximisation of profit and utility. Classical sociologists like Weber (1978), Durkheim (1984), and other sociologists like Veblen (1898), Parsons and Smelser (1956); Smelser (1963), Simmel (1990), and Pareto vehemently argued for the study of markets from the sociological perspective. Later number of sociologists like Goffman (1976; 1983) Granovetter (1985) and especially Weber (1978) highlighted the importance of the study of sociology of markets. Weber was fascinated by the market as a social phenomenon, and he called the market a

The relations of exchange, social structure and such other aspects which this research intends to analyse are social relationships. Such a concern in India was raised not by sociologists or social anthropologists, but by economists (Jodhka 1997). It is also true that more than the sociologists; economists raised more apprehensions regarding the economic doctrine of market by mid 19th century onwards. Of course, quite a number of debates have taken place and several battles have been fought by sociologists and economists on the claims over the ‘market’ positions and understanding. Few academic battles were lost in 19th century by sociologists (Swedberg 1987:20). Economic Sociology was the fallout of these arguments and the developments in the intellectual pursuit in the late 19th century (Swedberg 1987:25). Weber in his ‘Economy and Society’ (1978) insisted on the separate branch of sociology titled ‘Sociology of Markets’ followed by Pareto, Durkheim, Veblen and few others adding to this idea.

The study of inequality in markets opens a channel between economic sociology and stratification research, with its long-standing interest in class, caste, race, gender, and power. The tendency for markets to create inequality is apparent, even highly aggregated levels of analysis explicate this clearly. Similarly, income inequality increases as countries undergo the transition from ‘command’ (King Rule and Communist Rule) to market economics (Cornelius and Weder 1996). But while stratification researchers have focused on labour market, (also known as job market) economic sociology can extend the analysis into commodity, housing, and capital markets as well, which is of practical
significance (though some studies have been made). For instance, Ayres and Siegelman (1995) found substantial price differences between men and women, whites and blacks in the new car market. Carruthers and Uzzi try to explain discrimination from various theoretical perspectives, but they go only so far to examine critically the institutional and organizational bases of discrimination (2000).

Under the banner of ‘Economic Sociology’ series of studies were conducted on ‘market’ with the assimilation of both economists and sociologists supplementing each other. The stream of Economic Sociological thought is developed into a separate branch and a school of thought has questioned the classical notion of rationality concept, the idea of maxims’ of profit and utility in the market.

Economic sociologists Smelser and Swedberg (1993) and Swedberg (1987; 1997; 2001) argued specifically for ‘economic sociology’ as a discipline and worked emphatically for the growth and development of the same. Burt (1993; 1997); Davern and Eitzen (1995); Fligstein (1996; 1999; 2000; 2001); Zafirovski and Levin (1997); Aspers (1999); Carruthers and Uzzi (2000); Irwin and Bottero (2000); Granovetter (2001); Krippner (2001); Zelizer (2001); Randles (2003); Samuels (2003) and others have been working on various aspects of matters concerning ‘market and society’ to cite a few from different perspectives and angles.

In addition to the studies mentioned above, quite a number of studies have thrown light on different aspects or forms of market. At the outset, these concepts concerning market look initially confusing because the ‘market’ itself is a complicated phenomenon to understand and interpret. Broadly, the studies on ‘market’ are bifurcated under the two broad headings, namely, ‘marketplace’ and ‘market as institution’. Studies on ‘marketplace’ have been conducted by the economic anthropologists and others like Leiss (1983) Plattner (1989) England and Kilbourne (1990b). Whereas, there also have been studies from the institutional point of view. Winship (1983); Oberschall and Leifer (1986); Hodgson (1988); Powell and Dimaggio (1991); North (1991); Granovetter (1992); Platteau (1994); Fligstein (1996); Varese (1996); D’Souza (1997); Hage (2001);
Held and Nutzinger (2003) have carried out research extensively, and this trend is on the rise. This is also true that ‘marketplace’ studies are on the decline and that on macro markets and ‘placeless markets’ and institutionalised markets are on the rise.


Under the broad heading of social aspects in exchange, Homans (1958), Akerlof (1984; 1984a) have worked on gift exchange, Blau (1964) on power, Linda D Molm (Cook 1998) on coercive power, Baxter (2000) on honor, status and aggression in economic exchange and Burns (1977), Cope (2003), Emerson (1972) and Kollock (1994) and on such other aspects.

Similarly, studies related to rural (Scott 1988; Rajagopal 1991; Kapadia 1997; Nair 1997; Panth 1997; White and Janakarajan 1997; Kumar 2002) and urban markets (Jones 1988; Eastwood 1995; Hayes 2002; Kumar 2002) in relations with the state’s intervention as a controlling agency in the form of regulated markets have also been conducted to mention in this context.

The works cited above represent various dimensions of markets. Interestingly, many studies on market, marketplace, market as institution, market as structure, etc. reveal enormous amount of information on market, but is confusing. Some of the market related terms need re-examination both at the conceptual level and in terms of their use and misuse. As the studies on ‘market’ as an institution, is separated from ‘marketplace” theoretically, whereas in many studies they overlap. Similarly, market system, structure, culture etc, are used synonymously though theoretically separated. Several studies have been conducted on the social aspects of society and its impact on market and by itself as well. But studies conducted here either confuse or they are not comprehensive enough to give a complete picture of the market understanding. In the market situation not many studies have been made to understand the relationship between the actors of market be it buyer and seller or even with the middle men. A proper study explaining the ratio between the market players would help us to understand the ‘stars’ and ‘isolated’ in Moreno’s sociometric analysis. It becomes essential to have a comprehensive study of all sociological aspects of market such as social, cultural, political and economic.

Some of the studies conducted on ‘market’ explain the phenomenon from various theoretical perspectives but, each thinker tries to identify with the single theoretical framework. Most of the studies conducted concentrate on the market in the past trying to look from the Institutionalist, Integrative perspective and Structural Functionalist perspective on the one hand, and on the other, in contrast, the effects on the lower/labour/working class from the Marxian perspective.
It is evident from the above literature that not many studies are made on the impact of the 'market' on the 'middle class' which is emerging in terms of large numbers. Further, in this transformation age, where there is a transition from the primitive marketplace to the modern hi-tech super markets and cyber markets, the changing personal relationship to superficial and impersonal relationships needs to be analysed. Most of the small towns seem to have problems in transforming and accommodating themselves to the changes in this transition phase.

RATIONALE FOR THE STUDY:

Critical issues regularly arise in sociology as in any vibrant scholarly discipline. They emerge in the course of sociological analysis for different reasons in different contexts. They may follow from contradictions within an accepted or evolving paradigm, new research in an important area, or conflicting research results. They may also arise through systematic debate, or in response to changes in social reality that challenge existing theories. Identifying important contradictions, neglected areas, and new research challenges is an important part of serious sociological inquiry, suggesting ways and means to comprehend and analyze existing and emerging realities. Over the time the central issues of sociological research have been globalisation and related aspects vis-à-vis stratification and such other social categories in the society (Vilhjalmsson 2002)

The general problem is the relation between forms of payment, on one side, and the symbolic content of the social relations involved in economic transactions, one the other. Though there is some such relation, the hard part is to specify how and why that relationship works and what determines the actual form of payment. This work will also help resolve and synthesize differences between essentially individualistic, incentive-oriented (Zelizer 2001) explanations and other explanations built on culture, social relations, and institutional processes.

The first problem for developing sociology of markets is to propose theoretically the social institutions necessary as preconditions to the existence of such markets.
Institutions refer to shared rules, which can be laws or collective understandings, held in place by custom, explicit agreement, or tacit agreement. These institutions—what can be called property rights, governance structures, conceptions of control, and rules of exchange-enable actors in market to organize themselves, to compete and co-operate, and to exchange (Fligstein 1996; 4).

In understanding the competitive nature of market trading and the market structure, it is imperative to explore whether market traders engage in competition for economic reasons alone or whether social and cultural factors are also prominent here. In other words, it is intended to find how far the social and cultural factors influence the ‘market’. Market exchange, while being increasingly dominant, is heavily embedded in and constitutive of relations of class, caste, locality and gender.

The propositional argument of this research work is that market is not a ‘constant’ and it is more that what meets our eyes. Market has been an ever changing phenomenon. Market does not shelter egalitarian concepts like equality, equal opportunity, equilibrium, justice, etc. On the contrary, market has always been in favour of the already privileged social categories. For example in case of India, Varna system in the ancient period facilitated some particular castes to have dominance over certain businesses. Economically well off communities and people dominate even today in almost all societies of the world either because of the feudal system or serfdom, estate system, etc. Racism and gender inequality also are important issues which need to be discussed in the context of ‘market’ and its access, control and power.

THE ARGUMENT:

The researcher in this work is neither trying to prove that in ‘market’ not only economic activities are found but also social activities nor social activities in the market are not ‘irrational’, ‘non-economic’ nor such other behaviours as ‘non-market’. An attempt is made in this study to identify that market is the product of the society, and all activities and relationships in the market are social in nature and economic activity is a
part of it. Further, it is not to defend the social positions from the sociological perspective. Rather, it is an attempt to highlight and reiterate the position of social aspects in society and particularly in the 'market'. Till now in the academic over-dominance and illogical arguments of a discipline are on the offensive and hence, it is being hijacked and the position of the sociologists is on the defensive. This position is not just to prove the position in the academic world but these kinds of researches highlight the importance of various sociological factors which affect the very functioning of 'market' in various ways both directly and indirectly.

There is also a need to understand 'market' in terms of space and time. Space here does not mean just physical, natural or geographical space but also 'social space'. Adding to the elaborate understanding of the concept of space, 'time' is not taken as constant and an attempt is made to capture its changing features and impact on the social space creating vibrations and alternations in the physical space as well. While understanding the transformation of market from marketplace to 'placeless markets', the transformation is not just an ongoing and dynamic process, but also involves scientific, technical, cultural, political and more of sociological dimensions. Thus, an attempt is made in this research to understand 'space' both as a physical entity as well as a cultural/social phenomenon.

At the global level, market integrations are being discussed to have 'space-integration', while at the micro/regional level instead of 'space-integration', 'space-segregation' prevails both at the subjective as well as the objective levels. It implies 'social distance' between people, including the semaphoring of social hierarchy (Sharma 2003:406). It is witnessed in 'market' situations and this is the central question of the present research.

The present study starts questioning the economic doctrine of man maximising in the form of profit or utility in the market transactions, proceeds further critically analysing the concepts used as premise in this doctrine. It is attempted to understand the market relationship in reality, which is believed to have not built on materialism but
subjective ‘social-isms’ of relationships. The relationship between the shop owner (seller) and the permanent customer (buyer) are central actors of understanding market phenomena.

Social phenomenon understood and explained are expected to have theorised in a framework which is by practice a convention made latterly mandatory. Understanding any phenomena for that matter in a single perspective seems incomplete, hence, it is here attempted to understand comprehensively from at least few perspectives. The methodology of obtaining data and analysis carried out in the conventional pattern with minor modifications depending upon the ground reality and the necessity.

JUSTIFICATION:

The present study endeavours neither to understand nor analyse the traditional markets (marketplaces, villages) nor the modern hi-tech markets (like cyber markets, metropolitans). Rather, the study attempts to understand ‘markets and societies’ which are in transition from earlier form to later. A town with relatively less population neither a village nor a modern urban agglomeration is ideal for this kind of study. It is also important that such a town should not be too orthodox or too cosmopolitan in terms of culture.

In this direction, Shimoga an ‘urban’, but not modern (hi-tech) is selected as the study area for this research. This town and market is in transition and hence would be an ideal place to carry out such studies (as conceived). An understanding of the micro dynamics of the way market actors (buyers and sellers) operate in the Shimoga town market necessitates locating the analysis in a wider framework of Shimoga town itself. The market, structure, its operation, the constraints and opportunities are, the broader setting places on all activities (economic as well) of the players/actors enact are central to this study.
After witnessing the plethora of concepts and studies conducted, the purpose of this research is not to confound the already confounded, but to simplify the concept and thereby understand the structure and functioning of market. It is true that ‘market’ activity and phenomenon is in reality a complex activity hence, requires an elaborate, detailed analysis.

ORGANISATION OF THE THESIS: CHAPTERISATION:

After the brief introduction in the first (I) chapter, the second (II) chapter deals with the methodology of this research work, giving a detailed account of how this research work was carried out. A proper research design and various research tools and techniques used in the field are explained here. The purpose of bringing methodology as the second chapter is to give a complete picture of how the research work is carried out at the beginning itself, though the review of literature, conceptualisation, theoretical perspectives are dealt with in separate chapters elaborately.

The third (III) chapter attempts to review the research works already conducted in this area both at empirical and theoretical levels, in various disciplines, chronologically.

The conceptual clarity of the terms and concepts being used in this research is explained in the fourth (IV) chapter. An attempt is made to re-examine the market related terms used in this research both conceptually and its usage.

Market phenomenon cannot be understood in any single theoretical framework, hence, in the fifth (V) chapter it is attempted to categorise these works under various theoretical perspectives so as to investigate and look the present work along the lines of thought.

The sixth (VI) chapter gives the outline of the study area and also the significance and rationale behind the selection of the specific town for this research. Its importance from the cultural, social, economic and geographical background is highlighted in this
context. Statistical significance of the study area and its relevance is graphically represented here so as to justify the selection.

The most crucial chapter of the present research work is the seventh (VII) chapter is on presentation of the primary data collected are interpreted and analysed. In this chapter various aspects of market are analysed using the primary and secondary data obtained. It is also attempted to find out the implications of the social factors on/by market. The phenomena is attempted to be explained from different theoretical perspectives.

The last chapter eight (VIII), gives an over view of the market activities based on this study. The summary of the outcome is pointed out with certain suggestions and recommendations which could be used in the practical scene as well. The same could be used both by the research scientists of empirical and theoretical in nature.