

CBSE Class 12 Sociology
NCERT Solutions
Chapter-4
The Market as a Social Institution

1. What is meant by the phrase 'invisible hand'?

Ans. According to Adam Smith, every person looks for his own self-interest and in pursuit of this in-turn works for the self-interest of all . In this sense, there seems to be an unseen force at work that converts what is good for each individual into what is good for the society. This unseen force was called the 'invisible hand'

2. How does a sociological perspective on markets differ from an economic one?

Ans. Adam Smith and other thinkers developed the ideas of modern economics. It is based on the idea that the economy can be studied as a separate part of society that operates according to its own laws, leaving out the larger social or political context in which market functions. On the other hand, sociologists have tried to develop an alternative way of studying economic institutions and processes within the larger social frameworks. Sociologists view markets as social institutions that are constructed in culturally specific ways. For example, markets are often controlled or organised by particular social groups or classes, and have specific connections to other institutions, social processes and structures. Sociologists often express this idea by saying that economies are socially 'embedded'.

3. In what ways is a market-such as a weekly village market-a social institution?

Ans. Weekly / periodic market is a social organisation in the following ways:

- Weekly markets bring together people from surrounding villages, who come to sell their agricultural or other produce and to buy manufactured goods and other items that are not available in their villages.
- They attract traders from outside the local area, as well as moneylenders, entertainers, astrologers, and a host of other specialists offering their services and wares.
- In rural India there are also specialised markets that take place at less frequent intervals, for instance, cattle markets. These periodic markets link different regional and local economies together, and link them to the wider national economy and to towns and

metropolitan centres.

- The weekly haat is a common sight in rural and even urban India. In hilly and forested areas (especially those inhabited by adivasis), where settlements are far-flung, roads and communications poor, and the economy relatively undeveloped, the weekly market is the major institution for the exchange of goods as well as for social intercourse.
 - Local people come to the market to sell their agricultural or forest produce to traders, who carry it to the towns for resale, and they buy essentials such as salt and agricultural implements, and consumption items such as bangles and jewellery.
 - For many people, the primary reason to come to the market is social – to meet kin, to arrange marriages, exchange gossip, and so on.
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4. How do caste and kin networks contribute to the success of a business?

Ans. In the precolonial period onwards, India had an extensive trading connection, not only within the country but also outside. These trading connections were made by merchant groups who did extensive internal and external trades and mostly they were organised as a community based on their same caste or kinship and they did business on the basis of trust, loyalty and understanding that prevailed within their community.

An interesting illustration of the use of traditional joint family structure and kinship and caste networks to build their business can be seen in banking and trading activities of Chettiars of Tamil Nadu. They controlled trade and banking all over south-east Asia and Ceylon (new Sri Lanka) in the 19th century and operate as joint family business. This is typical patriarchal structure of joint family but they used trust, unity and goodwill of kinship to build their connection. This gives its idea that Indians had their indigenous version of capitalism, when they ran business for profit, which was centres around caste and kinship.

5. In what ways did the Indian economy change after the coming of colonialism?

Ans. The Indian economy after the coming of the colonialism changed in the following ways:

- The advent of colonialism in India produced major upheavals in the economy, causing disruptions in production, trade, and agriculture. A well-known example is the demise of the handloom industry due to the flooding of the market with cheap manufactured textiles from England.
- In the colonial era India began to be more fully linked to the world capitalist economy. Before being colonised by the British, India was a major supplier of manufactured goods to

the world market. After colonisation, she became a source of raw materials and agricultural products and a consumer of manufactured goods, both largely for the benefit of industrialising England.

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

Ans. Commoditisation occurs when things that were earlier not traded in the market become commodities. For example:

1. Labours or skills have become things that can be bought and sold.
 2. Sale of human organs, such as kidneys by poor to cater to rich patients to earn money.
 3. Traditionally, marriages were arranged by families but now professional marriage bureaus and websites help people to find brides and grooms and take a proper fees. Earlier rituals and ceremonies were planned out by elders in the family but now it is given as a contract to marriage planners to plan out the entire ceremony.
 4. In earlier times, people could not have even thought that any one could sell drinking water or charge money for it. But today, we buy bottled water.as a normal commodity i.e. a commodity we can buy and sell.
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7. What is 'status symbol'?

Ans. Max Weber, coined the term 'Status symbol' to describe the relationship between the goods that people buy and use with their status in society.

For example, among the middle class in India today, the brand of cell phone or the model of car that one owns are important markers of socio-economic status.

8. What are some of the processes included under the label 'globalisation'?

Ans. In the era of globalisation the world is becoming increasingly interconnected. Their interconnections are not only economic but also cultural and political. The process of

globalisation involves a number of trends, especially the increase in international movement of commodities money, information, people and development in technology.

The main feature of globalisation is the increasing extension and integrations of markets around the globe. It means that changes in a market in one part of the globe may have a profound impact somewhere else far away. For example-India's booming software industry may face a slump if the U.S. economy does badly as happened after the 9/11 attacks on the World Trade Centre in New York leading to a loss of business and jobs there.

9. What is meant by 'liberalisation'?

Ans. Liberalisation is the process whereby state control over economic activities are minimised and left to the market forces to decide. In general, it is process of making laws more liberal and loosening of government rules and regulation on capital labour and trade; privatisation of public sector enterprises selling government owned companies to private companies, a reduction in tariffs and import duties so that foreign goods can be imported more easily.

- It includes privatisation of public sector enterprises.
- It allows easier access for foreign companies to set up industries in India.
- This is also known as marketisation or market based process to solve economic, social or political problems.

10. In your opinion, will the long term benefits of liberalisation exceed its costs? Give reasons for your answers.

Ans. The changes that have been made under the liberalisation programme have stimulated economic growth and opened up Indian markets to foreign companies. Increasing foreign investment is supposed to help economic growth and employment. The privatisation of public companies is supposed to increase their efficiency and reduce the governments burden of running these companies. However, the impact of liberalisation has been mixed. Many people argue that liberalisation have had or will have, a negative net impact on India. As I think, the costs and disadvantages will be more than the advantages and benefits, so as some sectors of Indian industry like software and information technology or agriculture like fish or fruit may benefit from access to a global market, but other sectors like automobiles, electronics or oil seeds will lose because they cannot compete with foreign products and producers.