UNIT 1: ECONOMIC SOCIOLOGY: AN INTRODUCTION

UNIT STRUCTURE

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1.1 LEARNING OBJECTIVES

After going through this unit, you will be able to

- conceptualize the meaning of Economic Sociology.
- understand the origin and development of Economic Sociology.
- know the contribution put forward by the different classical sociologists.
- analyse the scope and importance of Economic Sociology.

1.2 INTRODUCTION

Economic sociology is not much more than a century old, even though its intellectual roots are found in older traditions of philosophical and social thought. During the past quarter-century, it has experienced explosive growth and now stands as one of the most vital subfields of its parent discipline. In this unit, we first understand the meaning and definition and try to focus on its origin and development. Next, we trace the classical tradition of economic sociology, as found in the works of Marx, Weber, Durkheim, and also discuss Schumpeter, Parsons, and Smelser. Finally,we shall emphasize on the importance and scope of the field of Sociology.

1.3 MEANING AND DEFINITION

Economic sociology is a branch of Sociology that deals with the economic phenomena of society. It consists of a variety of research questions such as how market relationships function? What are the social mechanisms that facilitate cooperation in the economic sphere? To what extent are social relations important in economic exchanges? What are the social mechanisms that determine economic values? So economic sociology is an attempt to answers those questions that are traditionally addressed by the economists. Economic sociology tries to analyse production, distribution, exchange and consumption of goods and services. It is mainly a study of the social cause and effect of various social phenomena. It emphasizes on the role of economic structures that have an influence over society. Many have argued that it focuses on four dimensions shaping the economic structure and behavior: networks, power, institutions, and cognition.

According to Richard Swedberg, Economic Sociology is the study of the social cause and effect of various economic phenomena. It arose as a new approach to the analysis of economic phenomena; emphasizing particularly the role economic structures and institutions play upon society, and the influence a society holds over the nature of economic structures and institutions. (Principles of Economic Sociology by Richard Swedberg - an extract, 2009).

According to N. Abercrombie, "Economic sociology is a broad field that covers many substantive economic phenomena. These include all aspects of the economic activities of individuals and groups; the sociology of organizations, markets, and other economic institutions……and the economic effects of different cultures and religions." [The Penguin Dictionary of Sociology, 2013]

Neil Smelser and Richard Swedberg define economic sociology as 'the sociological perspective applied to economic phenomena'
(The handbook of economic sociology. 2nd 2005)

In the monumental work of Joseph Schumpeter, called "History of Economic Analysis" four fundamental fields of economic analysis: economic

history, statistics, economic theory, and economic sociology, were identified. Economic sociology deals with the question of how people came to behave as they do. If human behavior is defined widely then it includes not only actions and motives but also the social institutions that are relevant to economic behavior such as government, property inheritance, contract, and so on.

1.4 ORIGIN AND DEVELOPMENT

In the past two centuries many eminent thinkers and sociologists have shown interest in the human interaction in production, distribution, and consumption processes. The economic institution originated from hunting and gathering societies itself. The different economic institutions resulted in creating a relationship featured by traits like co-operation, competition, differentiation, and division of labor. They tried to focus on the major issues of economic activity and economic history. The first use of the term Economic Sociology seems to have been initiated by British economist W. Stanley Jevons in 1879. The term was taken over by the sociologists and appears in the works of Karl Marx, Emile Durkheim, and Max Weber. Economic Sociology is relevant to economic life that is rooted in the larger social structure. Economic Sociology can be traced from two sources, one from the return of political economy and the other was the emergence of imperialism. It is an intellectual response to a particular paradigm that has impacted on the lives and livelihoods of millions of people. Economic Sociology tried to contextualize economic actions, processes, and structures in the wider societal context. Economic Sociology is the study of how the material conditions of life are produced and reproduced through social processes. The link between the economy and society has attracted many scholars of Sociology. Economic Sociology is broadly classified into a classical period and a contemporary one which is known as New Economic Sociology. For example, Marx was mainly interested in the systemic causes and consequences of economic inequality and Historical Materialism. Weber's theory was centered on economic ideas and structures based on his work on the Economy and society. 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.

The field of economic sociology can be separated into the Sociology of markets and the Sociology of consumption. The sociology of markets is concerned with a place where repeated exchanges occur between buyers and sellers under a set of formal and informal rules governing relations between competitors, suppliers, and customers. Whereas the sociology of consumption view consumption from the perspective of what consuming things means to people.



CHECK YOUR PROGRESS

Answer the following questions:

1. The first use of the term economic sociology seems to have been initiated by British economist …….....……

2. What are the divisions of Economic Sociology?

3. What is known as New Economic Sociology?

4. Who wrote the book "The Handbook of Economic Sociology"?

5. What is meant by sociology of the Market ?

1.5 CLASSICAL ECONOMIC SOCIOLOGISTS

Karl Marx (1818-1883) emphasised on the role of the economy in society, and developed a theory according to which the economy determined society's general evolution. Marx also argued that material interests determine the structures and processes in society. Marx wanted to develop a strictly scientific approach to society that would change the world.

Marx's economic analysis rested on the labor theory of value in which a commodity's price is equated to the labor necessary to produce it. He assumed that only actual producers created the value and not the property owners. The most important of Marx's approach is to which people have been willing to fight for their material interests throughout history. He also contributed to understanding how large groups of people, with similar economic interests, under certain circumstances can unite and realize their interests.

"The general strategy of Marxist thought is to relate aggregate movements in economic life (e.g. rate of profit) to the pressure on the individual (e.g. pressure to substitute machinery for labor) by using a theory of economic enterprise (e.g. capital extraction of surplus value through hiring labor)" (Stinchcombe, 1983).

Max Weber (1864-1920) was among the early scholars in economic sociology, who occupies a unique place. He is known to have proceeded the furthest towards developing a distinct Economic Sociology and he is often cited as one of the fathers of Economic sociology because of his contribution towards understanding forms of economic organization and the rise of modern rational capitalism.

As compared to Weber, Emile Durkheim (1858-1917) knew less economics, wrote less about economic topics, and in general made less of a contribution to Economic Sociology. At one point he gave the following definition 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 exchanges, and so on), institutions relating to distribution (rent, interest, salaries, and so on)". They form the subject matter of economic sociology. (Neil J. Smelser and Richard Swedberg, 2005)

Vilfredo Pareto (1848-1923) contributed to Economic Sociology concepts like comparative income distribution analysis and indifference curves. According to Pareto, optimum allocation of resources occurs when no actor's subjective utility can be better off while keeping all others as well off as they were before reallocation. This principle is often invoked to evaluate the fairness of a social welfare or income- redistribution policy proposal.



CHECK YOUR PROGRESS

6. Name three sociologists who are associated with Economic Sociology.

7. Who is often called the father of Economic sociology?
8. Who developed a theory according to which the economy determined society's general evolution?
9. What is the subject matter of Economic Sociology?

1.6 SCOPE AND IMPORTANCE:

Economic sociology is broadly a study of the social processes of resource creation, distribution, exchange, and consumption. Special interests within economic sociology include the study of business, caring, crime, disability, employment, entrepreneurs, environment, family, food, gambling, gender, health, housing, markets, money, networks, philanthropy, taxation, technology, wealth, and more. Economic Sociology deals with the analytical, political and moral questions arising at the intersection between the economy and society. It studies all aspects of the economic activities of individuals and groups. It includes the sociology of organization, markets, and other economic institutions.It also focuses on the macro-issues such as the development of capitalism, the comparative analysis of the economic system and the economic effects of different cultures and religions. Economic sociology helps in understanding various components of consumption and leisure. It is an attempt to analyze economic phenomena as a social phenomenon resulting from human interaction within the context of broader social structure. It mainly focuses on the relationship between economic activity and people that affects their economic actions. One of the primary characteristics of Economic sociology is to study contemporary society through the process of modernization.It also studies economy and social relations of actors. For example, economic sociology assumes that functioning of the market organization depends on its political structure, ideologies and traditional practices rooted in its history.One of the most prominent contributions of Economic Sociology to the discipline of sociology has been the basis for explaining stratification and class conflict. Theories and application of concepts of Economic Sociology are used to analyze three societies at a different level of development such as primitive herding society, feudal or early capitalist society and modern society.

Economic Sociology tries to interlink the economic forces to the behaviour of individuals by an examination of the institutional forms and technical constraints in which a society produces its livelihood. It primarily deals with a particular dimension of economic phenomena, namely their social dimension. It is the study of social structures and organizations in the economy. It deals with economic phenomena in general, which means that it addresses issues not only at the periphery of the economy (such as, say, the influence of religious values on the economy or of ethnicity on entrepreneurship) but also at its core (such as the way markets operate or investment decisions are made). To look at the social dimension of economic phenomena sociologists only look at a number of economic issues and try to analyse the social dynamics involved in them.



1.7 LET USSUM UP

- Economic sociology is not much more than a century old, even though its intellectual roots are found in older traditions of philosophical and social thought.
- The first use of the term Economic Sociology seems to have been initiated by British economist W. Stanley Jevons in 1879. The term was taken over by the sociologists and appears, in the works of Marx, Durkheim, and Weber.
- Economic sociology is a branch of Sociology that deals with the economic phenomena of society. Economic sociology tries to analysise the processes of production, distribution, exchange and consumption of goods and services, from a social dynamics point of view. It is mainly a study of the social cause and effect of various social phenomena. It emphasizes on the role of economic structures that have an influence over society.
- Economic sociology is understood in the context of a classical period and a contemporary period. Classical Economic Sociology dealt

with modernity, rationalization, Secularisation, Social Stratification, Urbanisation, etc. The contemporary period of Economic Sociology known as New Economic Sociology has been started with Mark Granovetter titled "Economic Action and Social Structure. It emphasized on the social consequences of economic exchanges and social interaction.

- Marx was mainly interested in the systemic causes and consequences of economic inequality and Historical Materialism. Weber's theory was centred on economic ideas and structures based on his work on the Economy and society. Durkheim's division of labour was about the pre-contractual elements of exchange, while Simmel dealt with capitalist life and the emergence of calculability in social relations.

  One of the importances of Economic Sociology is the study of the social processes of resource creation, distribution, exchange, and consumption.



1.8 FURTHER READING

- Smelser Neil J. and Richard Swedberg (2005) The Handbook of Economic Sociology.
- Swedberg Richard (2007) Principles of Economic Sociology.

1.9 ANSWERS TO CHECK YOUR PROGRESS

Answer to Q. No. 1: W. Stanley Jevons .

Answer to Q. No. 2: Economic sociology is broadly classified into a classical period and a contemporary one i.e. known as New Economic Sociology.

Answer to Q. No. 3: Contemporary period of Economic Sociology i.e. known as New Economic Sociology.

Answer to Q. No. 4: Neil Smelser and Richard Swedberg wrote the book "The Handbook of Economic Sociology"

Answer to Q. No.5: The sociology of markets is concerned with a place where repeated exchanges occur between buyers and sellers under a set of formal and informal rules governing relations between competitors, suppliers, and customers.

Answer to Q. No.6: Karl Marx, Max Weber, and Emile Durkheim.

Answer to Q. No.7: Max Weber is often called as Father of Economic Sociology.

Answer to Q. No.8: Karl Marx developed a theory according to which the economy is determined by society's general evolution.

Answer to Q. No.9: The production of wealth, institutions relating to exchange, and institutions relating to distribution form the subject matter of economic sociology.



1.10 MODEL QUESTIONS

A) Answer in one or two words:

Q.1. Who deals with capitalist life and the emergence of calculability in social relations?

Q.2. Who wrote the Principles of Economic Sociology?

B) Short Questions: (Answer in around 150 words)

Q. 1. What are the different dimensions of Economic Sociology?

Q. 2. Write short notes on:

(a) Sociology of Consumption

(b) New Economic Sociology

C) Long Questions: (Answer within 300-500 words)

Q. 1. Discuss the meaning and scope of Economic Sociology.

Q. 2. Discuss the contribution put forward by Classical Economic Sociologists.

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