

ECONOMIC SOCIOLOGY

Introduction

SMELSER AND SVEDBERG

- Economic sociology is the application of the frames of reference, variables, and explanatory models of sociology to the study of production, distribution, exchange, and consumption of scarce goods and services.

CLASSICAL SOCIOLOGY

- Early writers were synthetic
- Marx, Weber, Simmel
- Professional specialization and the introduction of mathematical modeling in economics

DAVID KNOKES

ECONOMIC NETWORKS

- Assumptions of economic theory
 - Economic actors are rational (Individuals, households and firms)
 - Individuals maximize personal utility
 - One actor's choices does not influence the others (Atomism)
 - Decision making is based on marginal utility derived from things
 - All economic actors possess perfect information (Now, they say 'Bounded rationality')
 - Markets are perfectly competitive (Cartelization?)
 - Prices determined by market equilibrium

ARE MARKETS INDEPENDENT OF SOCIETY?

- Economics creates an artificial world where time and actions are atomistic
- Marshall's theory – perfect competition- firms do not react to other's strategy
- Predictive accuracy of economics proposed by Milton Friedman does not hold
- Economists have not been able to predict many critical economic events – depression, the real estate scandals etc.,

HOUSING BUBBLE OF 2007-08 AND THE RECESSION IN THE US

- <https://knowledge.wharton.upenn.edu/article/why-economists-failed-to-predict-the-financial-crisis/>
- In the paper titled, “[The Financial Crisis and the Systemic Failure of Academic Economists](#),” eight American and European economists argue that academic economists were too disconnected from the real world to see the crisis emerging
- Reliance on mathematical models than real life observations
- Missing the important role of bankers in pricing mechanism and focusing only on supply and demand.

[HTTPS://KNOWLEDGE.WHARTON.UPENN.EDU/
ARTICLE/WHY-ECONOMISTS-FAILED-TO-PREDI
CT-THE-FINANCIAL-CRISIS](https://knowledge.wharton.upenn.edu/article/why-economists-failed-to-predict-the-financial-crisis)

- Models -assume that all market participants — bankers, lenders, borrowers and consumers — behave rationally at all times, as if they were economists making the most financially favorable choices.
- People do engage in self-destructive things like taking out mortgages they could not afford, a key factor in the financial crisis. Nor would completely rational executives at financial firms invest in securities backed by those risky mortgages, which they did.

ECONOMIC AND NON ECONOMIC BEHAVIOR

- By relying so heavily on the view of humans as rational, the paper's authors argue, economists ignore evidence of irrational behavior that is well documented in other disciplines like psychology and sociology.
- Needs, wants, national economic goals, policy decisions are not 'rational' decisions any more

EXPLANATION OF MEAN REVERSION

- ‘The laws of physics state that when any object—which has a density greater than air—is propelled upward, it eventually returns to earth because the forces of gravity act upon it. The laws of finance similarly state that markets that go through periods of rapid price appreciation or depreciation will, in time, revert to a price point that puts them in line with where their long-term average rates of appreciation indicate they should be. This is known as reversion to the mean.’
- https://www.investopedia.com/articles/07/housing_bubble.asp

MARKETS AND NETWORKS

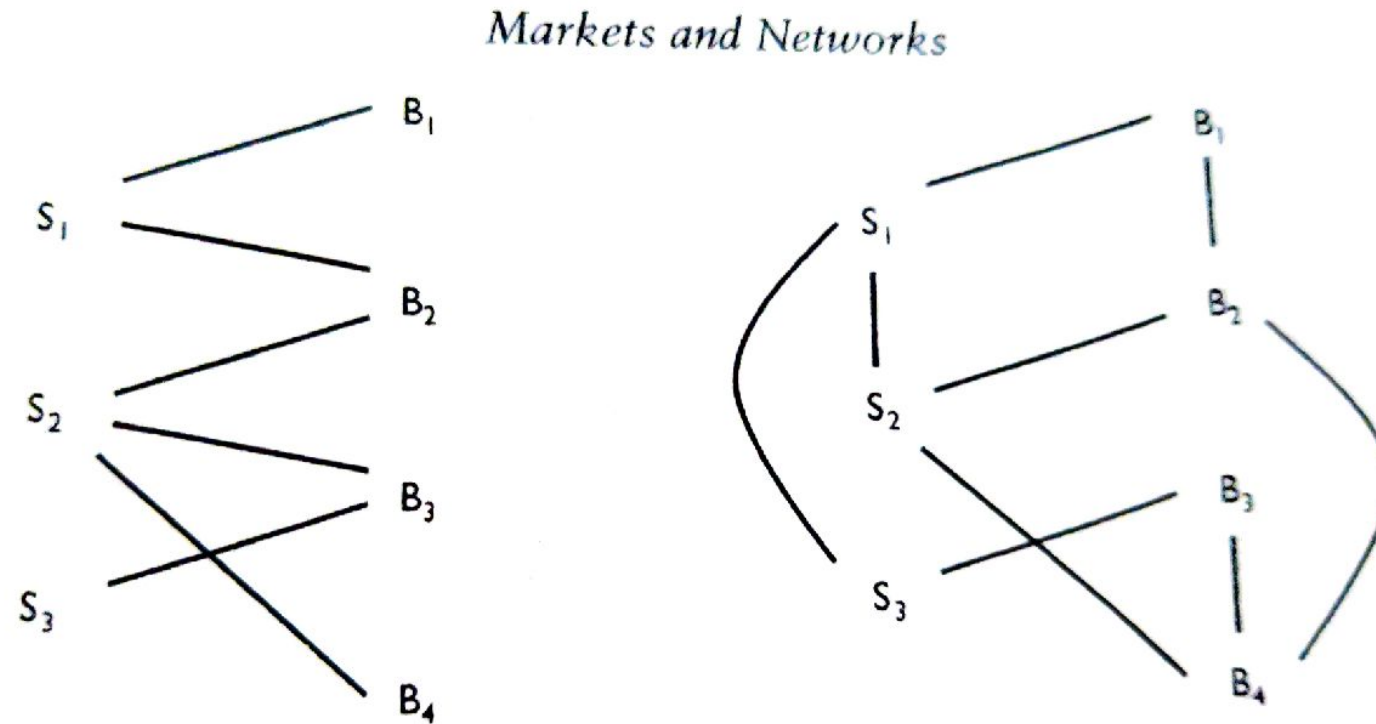


Figure 2.1 Neoclassical and networked markets

THE INDIAN CONTEXT

- India has had world renowned economists and statisticians – Mahalonobis, Pitambar Pant, Bardan, Nobel Laureate Amartya Sen
- Mahalanobis created a model of sample surveys for the world - consumer expenditure, tea-drinking habits, public opinion, crop acreage and plant disease

PRO-LIBERALISATION CRITIQUE

[HTTPS://WWW.FINANCIALEXPRESS.COM/OPINION/HOW-GREAT-ECONOMISTS-FAILED-INDIAN-ECONOMY-MEGHNAD-DESAI-EXPLAINS/621909](https://www.financialexpress.com/opinion/how-great-economists-failed-indian-economy-meghnad-desai-explains/621909)

- There were more debates on measuring poverty than alleviating it (Meghnad Desai)
- ‘While there is expert measurement and analysis of poverty, there is no reflection on why poverty persists in India. Not a single essay in the 1974 volume asked whether the poverty of India was for some reason due to the anti-growth, anti-business policies followed by the government of India’

WELFARE AND DEVELOPMENT ECONOMICS

- Today a large number of economists are engaging with economic sociology than sociologists in India
- Mainstream sociology in India – Greater focus on caste, tradition-modernity debate, social movements
- Jean Dreze, architect of MNREGA, Amartya Sen, Jan Breman, (developmental economist), Bina Agarwal, Swati Ghosh, Ashwini Deshpande

ACTION IN ECONOMICS AND SOCIOLOGY

- Sociologists argue that action though performed individually, is **socially oriented**
- Several types of action are there, not just economic action
- What is economic action?

WEBER

- Economic action is one where both the means and goal of an action is economic in nature
- Political action can involve force and violence
- An action is economic when the economic goal of material pursuit is carried out without force of violence, though competition is economic action

WEBER

- Non-economic values could lead to economic gains – religious, cultural, political (War)
- Rational action itself is of two kinds –instrumentally rational and value rational

MEANING IN ACTION

- Meaning in action, according to economists is not more than what is expressed in demand, quantity and price
- For the sociologist same price may be paid by people for different reasons
- Economists would say that kind of meaning is not relevant to their calculations
- Self-interest and instrumental rationality cut across social factors - hence business is possible

BUYING AND SELLING

- Constraints to action according to mainstream economics would only be - scarcity of resources and people's tastes
- Sociologists point out that it is not so simple: even if the meat of cats and dogs is cheaper, cultural values in the US prevent their consumption- friendship between buyer and seller overrides the price mechanism
- *What does Amazon and Flipkart do these relationships between buyer and seller?*

STRUCTURAL CONSTRAINTS ON FREE CHOICE

- Choosing between alternative job options not a matter of rational choice for a person from a neighborhood with high crime rate or from socially disprivileged sections
- Structural constraints influence career decisions - gender
- Job market not an open competition
- Income is not the conditioning factor - Nutritional status is poor in India despite income growth, why?



Article

Econometric and Existential Understanding of Food: Analysing Economic Growth and Nutritional Status in South India

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Abstract

There is much debate on the reasons for the poor nutritional status of the population amidst high economic growth in the country. A profusion of correlations and statistical averages characterizes mainstream nutritional discourses that are based on the notion of food as a thing that could be measured and understood in terms of numerical values. Much as the quantitative approach is necessary to guide public policy and to provide the basic food security to the population, it is a partial view, not adequate to understand the issues surrounding nutrition in all its dimensions. Drawing upon field data on food in rural South India, this article calls for a broader perspective on food that gives scope for people's concerns about its quality and ecological source. It aims at providing a sociologically informed understanding of the statistical and the existential aspects of the nutrition problem.

Keywords

Economic growth, nutritional status, food and environment

Introduction

The crux of the development discourse today lies in grasping the relation, or its lack, between economic growth and social development. In post-reform India, the yawning gap between economic growth in terms of GDP and the declining or static nutritional status has been a constant concern spurring many a debate in the past few decades.

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ECONOMICS AND SOCIOLOGY

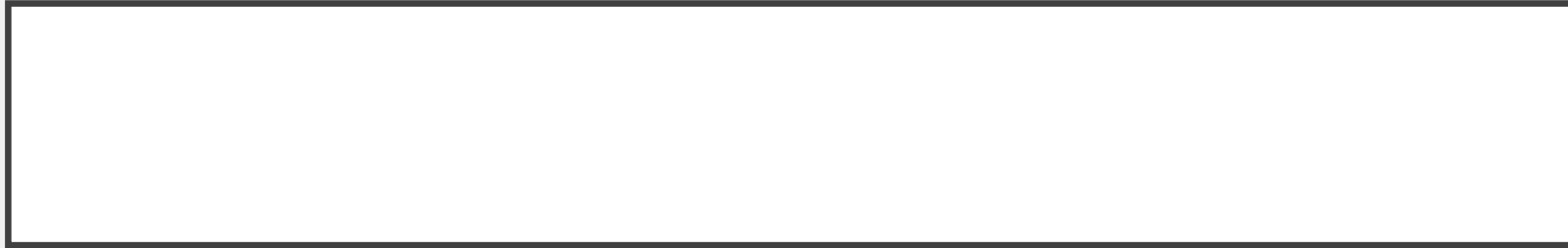
- Now changes have occurred in both the disciplines -Institutional and welfare economics, psychological models and semi-controlled trials have come about in economics
- Sociologists look at forms of capital, sociology of economic life, social life of things
- In the Indian context, social ecology has always integrated economy, society and ecology
- New economic sociology -study of core economic problems – business cycles, stock markets, digital finance, social life of things etc.,

FRANK DOBBINS
A NEW ECONOMIC SOCIOLOGY

- Economics assumes that people act in self-interest- always seek to maximize their benefits
- But the bond traders in New York, Tokyo and Paris see the world through different rational lenses
- Ndembu and Yanomamo may believe in spirits and also act rationally
- Humans may be self interested, but economic practices vary significantly
- Economists deduce human behavior from models, sociologists study actual behavior; the former aim to predict, the latter do not predict as much

DOBBIN'S FRAMEWORK

- Sociologists assume that individuals behave according to **scripts tied to social roles, institutions**, conventions, law and routine -Self interest is also part of convention
- Networks: formal and informal decide how we behave
- Power: ability to shape other's views and behavior
- Cognition: frames of understanding the world



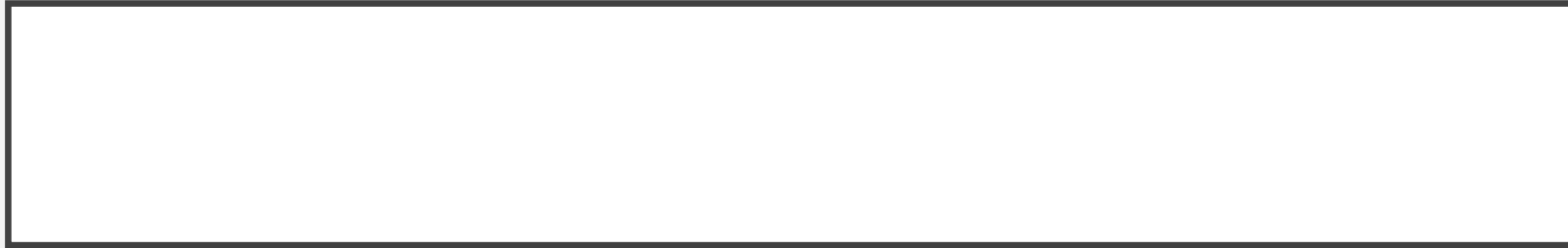
- Change in any one of these 4 aspects can trigger change in economic conventions
 - In the US of 1970's-80's, there was a shift from diversification as business strategy to one of core competence buy ups in the same industry
 - leading to change in legal institutions and investors defined de-diversification as better for their self-interest – easier to evaluate

SOCIAL HISTORY, INFRASTRUCTURE AND ECONOMIC TRENDS

- Why economic institutions differ across nations?
- France planned and sponsored a network of railroads linking Paris, while the US subsidized just a few
- Today France has a nationalized network of high speed trains, whereas America has semi-private trains
- France -military regime in 1700s had engineers to build roads and railways – The US had no such centralized military needs for transport
- The US relies on road and air travel – guzzlers of fuel – import from Saudi – leading to Iraq war

FLIGSTEIN AND DIOUN

- Economic sociology is the study of how our material life consisting of production and consumption depends on social processes for their structure and dynamics
- Sociology of markets and sociology of consumption are two key themes for economic sociology



- 4 generative approaches of economic sociology in the study of markets:
 - Network analysis
 - Institutionalism
 - Political economy
 - Creation of market devices
- Sociology of consumption –culture, meaning, status and morality

FRAMEWORKS FOR ECONOMIC SOCIOLOGY

- Dobbins
- Individuals behave according to **scripts tied to social roles, institutions**, conventions, law and routine -Self interest is also part of convention
- Networks: formal and informal decide how we behave
- Power: ability to shape other's views and behavior
- Cognition: frames of understanding the world
- Fligstein and Dioun
 - Network analysis
 - Institutionalism
 - Political economy
 - Creation of market devices
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MARKET

What is a Market?

- A place?
- A space?
- A network?
- An exchange relationship?

SOCIOLOGY OF MARKETS

- Markets are socially constructed
- Repeated exchanges between buyers and sellers
- Under a set of *formal* rules and informal understandings
- *Consider the origin of companies like Amazon (1994-1998), Oyo (2012), Uber (2009) – online companies – from subjective experiences – social class position - to setting up a company – creating customer base*
- How society plays a role in the creation of markets – they do not come from the blue

MARKETS

- Markets define what products are produced
- Sometimes markets constitute the products themselves (Health beverages, ultrasound machine in Haryana, Online shopping for clothes)
- Markets also depend on laws, governments (*Commercial surrogacy banned in India*)

NO PERFECT COMPETITION

- Markets: self reproducing role structures
- How does this happen?
- Neo classical economists says price is the 'invisible hand ' of the market—economic sociologists focus on relationships that constitute the market
- Producers employ many social strategies to overcome price competition and to stabilize business –product differentiation, cartelization
- Small firms mimic or imitate famous firms

I. NETWORKS

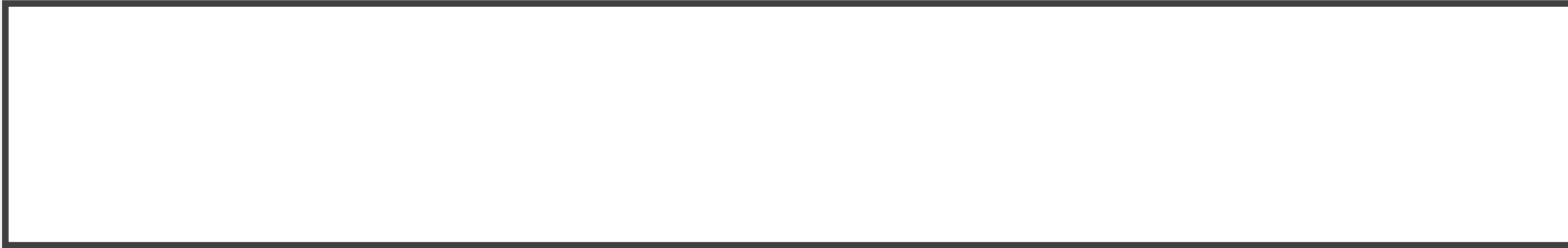
- Social Networks – relationships weak and strong – basis of market
- Formal processes of recruitment, trading, procurement exchange capital – accounted for by relationships among actors
- Networks – conduits of information- hub of trust – resource mobilization
- Connections among actors can affect the price mechanism – Studies show that well connected firms survive more

2. INSTITUTIONAL THEORY

- Firms have their methods and organizational culture (Tatas)
- Law, courts and the state have profound influence on markets
- Political stability is conducive to market growth
- States grant property rights, standardized rules for exchange
- *(Eg., Issues with the 3 farm laws in India)*

3. POLITICAL ECONOMY

- Linkages between the state, law and historical emergence of governance
- Comparative capitalisms
- Capitalism no longer a matter of capital
- Economic trajectories of nations vary over time, and with geography and culture



- Nation state has an influence of the kind of capitalism
- *(Twitter and the Indian government)*
- Post socialist world – state controlled capitalism –*China*
oligarchies - Russia
- In disorganized bureaucracies with poorly paid,
incompetent bureaucrats – more **rent-seeking behavior**,
than where there are educated and better paid staff

SOCIAL NETWORK OF CORRUPTION AND SCAM NOT EXTERNAL TO CAPITALISM

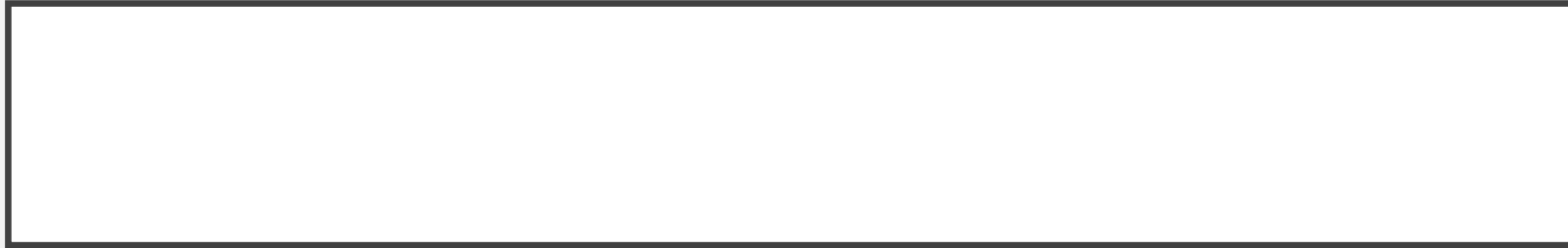
- [Scientific networks: Letter confirms Wuhan lab leak was funded by US taxpayers \(nypost.com\)](#)
- *Corruption, black money big issue needing sociological attention*
- *India found to be one of the most corrupt nations in the world*

4. MARKET DEVICES

- For markets to work – products need to be created, evaluated and priced – how is it done on the ground?
- Institutional mechanisms for this are rules of the thumb, technologies and theories – judgements
- For example how to judge a customer's credit worthiness?

MARKET DEVICES - PERFORMATIVITY

- Management and economic theories and models also influence markets
- Milton Friedman –neoliberalism - performativity
- Example: Amul, one of Asia's biggest diary co-operative – paradigm change in co-operative diary farming



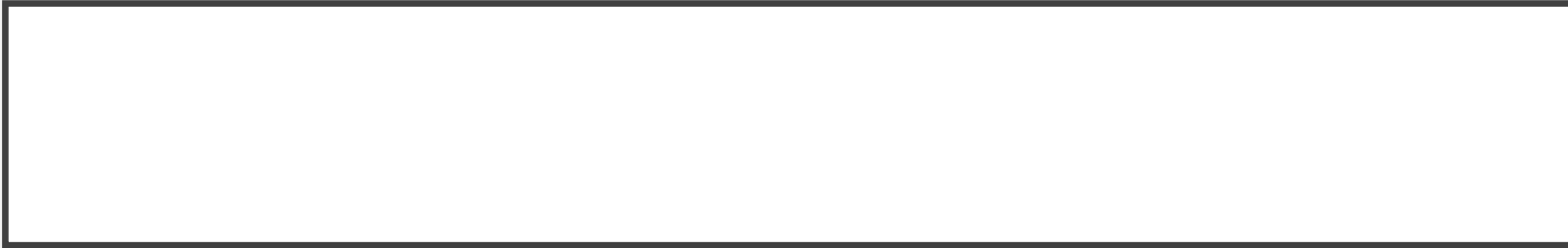
- ‘Amul’s 18 member unions procure about 1.8 crore litres of milk every day from Gujarat alone. With farmers getting Rs 36.6 per litre on average, Amul pumps Rs 65.8 crore into rural areas every day – into the hands of 3.6 million large and small dairy farmers across the state. Apart from this, as members of their district cooperative, the dairy farmers also get an annual dividend. This is one reason why farmer suicides have been rare in Gujarat, said a senior manager’
- Source:
<https://scroll.in/article/858576/the-amul-story-how-politics-is-hurting-the-economics-of-gujarats-milk-cooperatives>anager who has worked in Gujarat’s dairy sector for three decades.

MARKET DEVICES, FINANCIALIZATION GLOBALIZATION

- Growing dominance of financial metrics in the US since 1980s
- Tools to increase shareholder value by financial managers – boosting the balance sheet, image of the company
- Global financials flows – new digital financial products- how machines make markets work (Actor Network Theory)

SOCIOLOGY OF CONSUMPTION

- What things and goods mean to people
- Taste, lifestyle, status – consumption for social status
- How goods, products and brands become an expression of who some one is (Bordieu)
- Depression and consumption in individualistic societies
- How advertisers push products
- How cultural meaning is created



- Status hierarchies
- Upward mobility -Going into debt – EMI – debt cycles
- Morally acceptable products (Life Insurance)
- Restraint on consumption
- Spirituality and consumption

SPIRITUAL CONSUMERS

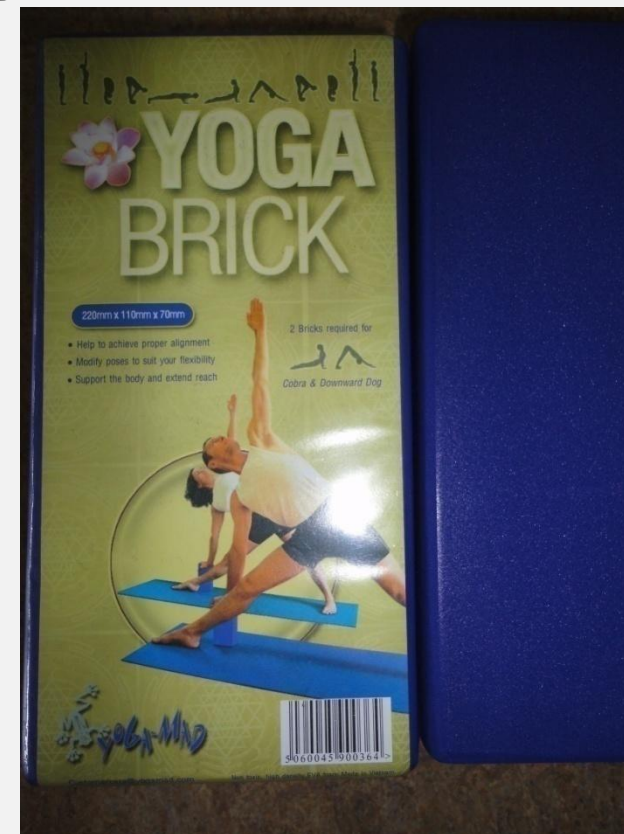
- Pilgrimage versus tourism
- People turn to the market place in search of spiritual wellbeing
- Looking for meaning in life – buy and use certain kinds of products
- New Age spirituality and the post modern West
- Huge market for yoga, Buddhist meditation etc
- Fetishism or new subjectivity?

SPIRITUALITY, AYURVEDA AND ENTERPRISE

Ayurvedic music!



Yoga accessories



BOOMING ECONOMY OF AYURVEDA MASSAGE

- Course includes yoga, meditation and chanting sessions; vegetarian food and beautiful surroundings.
- One week course for 1200 Euro inclusive of food and accommodation
- Even a novice/part time therapist gets 2-3 patients per week; investment not wasted
- Charges 40-60 euro per patient; 45 minutes consultation on ayurvedic diet/ lifestyle and 45minutes massage

MAHARISHI AYURVEDA



CONCLUSION

- Economic sociology has enriched our understanding of economic processes – interpersonal relationships in economic matters
- Greater attention to economic action of individuals, households, firms, national systems of capitalism
- Role of historical differences in economic trajectories
- Experiments and innovations – however small