



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. In this way, ; sociologists consider markets as social institution which are made in culturally specific ways. Sociologists maintain that economies are socially 'embedded'.

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

Ans: Though markets are places of economic interaction, since they are based on a particular social context and social environment, we can also regard them as social institutions where a specific kind of social interaction take place.

Periodic markets (or weekly markets) are a central feature of social and economic organization. They give a chance to surrounding villages to interact with each other while they sell their goods.

In villages, in tribal areas apart from regular markets, specialised markets are also organized where specific products are sold such as in the fair of Pushkar in Rajasthan. Thus, traders from outside come and also moneylenders, entertainers, astrologers and other specialists offering their services and product.

Therefore, these periodic markets just do not fulfil local needs, they link the villages with regional economies and sometimes national economies. Thus in tribal areas they help in maintaining interconnections, which makes these markets a social institution.

4. How do caste and kin networks contribute to the success of a business?

Ans: In the precolonial period on wards, 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 organized 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 advent of colonialism in India produced major upheavals in the economy, causing disruptions in production, trade and agriculture. Cheap manufactured textiles from England completely destroyed the handloom industry and made the weavers jobless. 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 colonialism, India became a source of raw materials and agriculture products and a consumer of manufactured goods, both largely for the benefit of industrialising England.

But rather than completely overturning the existing economic institutions, 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.

A good example of this process is provided by Marwaris, probably the most widespread and best—known business community in India.

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