

CUET · SOCIOLOGY · CLASS XII · CODE 326

The Market as a Social Institution

CUET unit: Indian Society (Class XII) — Market as a Social Institution

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Snapshot

- Establishes that the market is not merely an economic mechanism but a **social institution**, comparable to caste, tribe and family, that is culturally constructed and "embedded" in social relations.
- Uses two illustrative cases — the Bastar tribal **haat** and pre-colonial **caste-based trading networks** (Nakarattars, Marwaris) — to show how markets are organised by community, kinship and caste.
- Engages with Adam Smith's "**invisible hand**", Karl Marx's theory of capitalism (commodity production, wage labour, surplus value), and Max Weber's idea of **status symbols** and lifestyles.
- Explains **commodification**, **consumption as status communication**, **globalisation**, and **liberalisation/marketisation** with Indian examples (Pushkar fair, bottled water, BPO, software).
- High CUET yield: terminology (haat, jajmani, hundi, Vaisya, Banjaras, Marwaris, Nakarattars, commodification, status symbol, liberalisation, privatisation, subsidies, support prices) is highly testable.

Detailed Notes

2.1 Core concepts

- The word "market" has multiple everyday meanings — a specific place ("vegetable market"), a gathering of buyers and sellers, an area of trade, or the demand for a product or service ("the market for IAS coaching"); in the broadest sense "the market" is almost equivalent to "the economy" (NCERT Ch.4 intro, p. 54).
- This chapter argues that the market is also a **social institution** like caste, tribe or family — not just an economic abstraction. Every act of buying and selling is shaped by trust, custom, language, religion and kinship (NCERT Ch.4 intro, p. 54).
- **Adam Smith** (1723–90), in **The Wealth of Nations** (1776, then called "political economy"), argued that the market economy is made up of millions of individual exchanges that automatically create an ordered system — even though no individual intends to create it; this is the "**invisible hand**". Smith is described in the side-note as "the fountainhead of contemporary economic thought" (NCERT §4.1, p. 54).
- Modern economics treats the economy as a separate sphere with its own laws; **sociologists** instead view markets as socially "**embedded**" (a term associated with

Karl Polanyi) — culturally specific, organised by particular groups, linked to other institutions such as religion, caste and politics (NCERT §4.1, p. 55).

- **Weekly tribal haat (Bastar, Chhattisgarh):** In agrarian and peasant societies periodic markets are central. The **Dhorai weekly market** (studied by **Alfred Gell, 1982**) is in a Gond adivasi area; buyers are mostly adivasis, sellers are mainly caste Hindus; goods exchanged include manufactured items, salt and haldi, local produce, and forest produce (tamarind, oil-seeds) bought by traders to resell in towns (NCERT §4.1, pp. 55–57, Box 4.1).
- Under **colonialism**, tribal areas were "opened up" by roads and "pacification"; influx of traders and moneylenders led to impoverishment of adivasis, loss of land, and the creation of a market for tribal labour for plantations and mines (NCERT §4.1, p. 56). This is a classic example of markets **destroying** the very communities that the romantic economists thought they would integrate peacefully.
- **Pre-colonial India was already extensively monetised;** the sharp line between "traditional" and "modern" economies is "fuzzy". The **jajmani system** was one form of non-market exchange (hereditary service relations) but villages were also linked to wider exchange networks via markets, fairs and pilgrimage routes (NCERT §4.1, p. 58).
- **Hundi** = bill of exchange (a kind of credit note) used by traditional merchants for long-distance trade through caste and kinship networks; a hundi issued in one part of the country would be honoured by a merchant elsewhere, exactly because the network rested on community trust (NCERT §4.1, p. 58).
- **Nakarattars of Tamil Nadu (Box 4.2, citing Rudner 1994):** Operated a **caste-based banking system** based on reputation, business territory, descent, marriage and common cult membership — not a government central bank. The community itself enforced contracts (NCERT Box 4.2, p. 58).
- **"Vaisyas"** are one of the four varnas, indicating the antiquity and status of merchants/trade in Indian society; but "Vaisya" is often a status **claimed or aspired to** rather than a fixed identity. Traditional business communities include not only Vaisyas (e.g., **banias** in North India) but also **Parsis, Sindhis, Bohras, Jains** (NCERT §4.1, p. 59).
- Long-distance trade in **salt** during the colonial period was controlled by a marginalised tribal group, the **Banjaras** — showing that merchants did not always have high ritual status; the trading function and the caste hierarchy could pull in opposite directions (NCERT §4.1, p. 59).
- **Colonialism and new markets:** The handloom industry collapsed because of cheap manufactured textiles from England; India was transformed from a major supplier of manufactured goods into a source of raw materials and agricultural products and a consumer of manufactured goods, mainly for the benefit of England — the classic colonial reversal (NCERT §4.1, p. 60).

- **Marwaris** became a successful business community only during the colonial period — they migrated to colonial cities like Calcutta, did trade and moneylending, and acted as bankers helping British commercial expansion (**Hardgrove 2004**). The **Birla** family is one leading Marwari industrial house. Marwaris today control more of India's industry than any other community (NCERT §4.1, pp. 60–61).
- **Karl Marx (§ 4.2)**: Capitalism is a system of **commodity production / production for the market** using **wage labour**. Each mode of production has its own relations of production, giving rise to a specific class structure. Two basic classes: **capitalists** (own means of production) and **workers** (sell their labour). Capitalists profit by extracting **surplus value** — paying workers less than the value they produce (NCERT §4.2, p. 61).
- **Commodification / commoditisation**: Process by which things earlier not traded become commodities — e.g., labour, kidneys, marriage services (marriage bureaus/websites), personality-development institutes, private schools/coaching, **bottled water** (Activity 4.2). Marx and other sociologists saw this as a deep transformation of social life (NCERT §4.2, pp. 61–62).
- **Consumption** acquires **symbolic meaning**: the brand of cell phone, the model of car, the school one attends — all indicate socio-economic status. **Max Weber** coined the term "**status symbol**" to describe how goods reflect social status; classes and status groups differ in **lifestyles** as well as incomes (NCERT §4.2, p. 63).
- **Globalisation (§ 4.3)**: Since the late 1980s — increase in international movement of commodities, money, information and people, plus tech and infrastructure for this movement. Central feature: extension and integration of markets globally. India's software/BPO industries (e.g., call centres) link India to the global economy; a slump in the US (e.g., post 9/11) immediately hits Indian software employment (NCERT §4.3, pp. 63–64).
- **Culture itself becomes a commodity** under globalisation — Indian spirituality, yoga and ayurveda are marketed in the West; the **Pushkar fair (Box 4.3)** — traditional cattle/camel fair coinciding with Kartik Purnima pilgrim bathing — is repackaged in Lonely Planet guides as a tourist spectacle (NCERT §4.3, pp. 64–66).
- **Liberalisation**: Policy started in the late 1980s — **privatisation** of public-sector enterprises, **loosening of regulations** on capital/labour/trade, **reduction of tariffs** and import duties, easier entry of foreign companies. Another word: **marketisation** (use of market-based processes instead of government regulation). Includes **deregulation, privatisation, removal of wage/price controls** (NCERT §4.3, p. 66).
- **Support prices** = prices at which the government agrees to buy agricultural commodities, ensuring minimum farmer income (e.g., MSP for wheat and paddy). **Subsidies** lower farming cost (e.g., on fertilisers, diesel, electricity). Liberalisation reduces or withdraws these — a politically contentious shift in India (NCERT §4.3, pp. 66–67).

- **Mixed impact of liberalisation:** Sectors like software/IT and fish/fruit may benefit from global markets; automobiles, electronics, oilseeds may lose. Privatisation/closure of public-sector units has shifted employment from the organised to the unorganised sector — worse for workers because the organised sector offers better paid, more regular/permanent jobs with social security (NCERT §4.3, p. 67).
- **Market and society — synthesis:** Pulling all three thinkers together, the market is at once a Smithian arena of voluntary exchange, a Marxian site of class struggle and surplus-value extraction, and a Weberian stage on which lifestyles and status symbols are performed. Two further lenses: Polanyi's reminder that markets are **embedded** in social relations, and Polanyi's "double movement" — every market expansion provokes counter-mobilisation (farmer protests against falling support prices, weavers' resistance to imported textiles, NGO campaigns against patenting of traditional knowledge). The Indian case is especially rich because it preserves **both** the pre-modern caste-merchant networks (Nakarattars, Marwaris, banias) **and** the post-1991 global capitalist circuits (BPO, IT, branded retail) — they coexist in the same urban landscape, sometimes in the same family. The result is a hybrid market society in which a Marwari trading family may run a hundi-style hawala network in the morning and a Nasdaq-linked tech subsidiary in the afternoon, while its women patronise both a traditional jeweller and a luxury mall — a Weberian status symbol cluster that Marx and Smith would each have read very differently (NCERT §§4.1–4.3, pp. 54–67).

2.2 Definitions to memorise

Term	Definition	Page
Invisible hand	Adam Smith's idea that millions of individual market exchanges automatically create an ordered system	54
Embedded economy	Sociologists' view that economies are not separate but are embedded in social relations and culturally specific arrangements	55
Haat	Weekly periodic market common in rural India, especially in adivasi/forested areas	55
Jajmani system	Pre-colonial non-market exchange system in many Indian villages	58
Hundi	Bill of exchange / credit note used by Indian merchants for long-distance trade through caste-kinship networks	58
Caste-based banking system	The Nakarattar system where reputation, descent, marriage and cult membership assured public confidence	58
Vaiyas	One of the four varnas; trader status often claimed in upward mobility	59
Banjaras	Marginalised "tribal" group that controlled long-distance trade in salt during the colonial period	59

Term	Definition	Page
Marwaris	Most widespread/best-known business community; rose to success during colonialism; includes the Birlas	60
Commodity production	Marx's term for production for the market using wage labour — the basis of capitalism	61
Surplus value	Profit extracted by capitalists by paying workers less than the value of what they produce	61
Commodification / Commoditisation	Process by which things earlier not traded become commodities (labour, bottled water, marriage services)	61–62
Status symbol	Max Weber's term for goods that mark a person's social status and lifestyle	63
Lifestyle	Pattern of consumption marking a class or status group (Weber)	63
Globalisation	Increasing interconnection of the world economically, culturally and politically since the late 1980s	63
Liberalisation	Policy of privatisation, deregulation, lower tariffs and easier foreign access from late 1980s	66
Marketisation	Use of markets rather than government regulation to solve social/political/economic problems	66
Privatisation	Transfer of state-owned enterprises to private owners	66
Deregulation	Removal of state controls on prices, wages, capital, labour	66
Tariff	Tax on imports — reduced under liberalisation	66
Support price	Price at which government agrees to buy agricultural commodities	67
Subsidy	Government payment that lowers the cost of inputs to farmers	67
Organised sector	Regular, salaried employment with social security	67
Unorganised sector	Casual, irregular employment without social security	67
BPO	Business Process Outsourcing — India's globalised service economy	64

2.3 Diagrams / processes to remember

- Photograph: "A weekly market in tribal area" — Bastar/Dhorai haat described by Alfred Gell (p. 56).
- Portrait of **Adam Smith (1723–90)** with the side-note calling him "the fountainhead of contemporary economic thought" (p. 55).
- **Box 4.1** — "An Adivasi Village Market in Bastar" — Gell's description of Dhorai (p. 57).

- **Box 4.2** — "Caste-based trade among the Nakarattars of Tamil Nadu" (Rudner 1994) (p. 58).
- **Box 4.3** — "When a market becomes a commodity: The Pushkar camel fair" — Lonely Planet passage (pp. 65–66).
- Process flow to recall: pre-colonial monetised economy with caste merchant networks → colonial disruption (handloom collapse, raw-material exporter, opening of tribal areas) → new opportunities for some communities (Marwaris) → post-Independence state-led development → late-1980s liberalisation → globalisation/ commodification of new spheres (yoga, Pushkar, BPO, education).

2.4 Common confusions / NTA trap points

- **"Invisible hand" is Adam Smith, not Marx or Weber.** "Status symbol" is **Max Weber**. "Surplus value" / "commodity production" / class theory is **Karl Marx**. NTA frequently swaps these attributions.
- **Jajmani vs hundi:** Jajmani is a non-market exchange system; hundi is a credit instrument **used for** market/long-distance trade. They are not the same.
- **Marwaris rose during the colonial period**, not in pre-colonial India — students often assume they were ancient traders. **Banjaras** (not Marwaris) controlled colonial salt trade.
- **Liberalisation/marketisation begins late 1980s** in India, not 1947 or 1991 alone — the shift began in the late 1980s.
- **In Bastar's weekly market, buyers are mostly adivasis and sellers are mostly caste Hindus** — the direction is often inverted in distractors. Forest produce is brought by adivasis and bought by traders (who then sell it in towns).
- **Vaisyas constitute one of the FOUR varnas**, but "Vaisya" is often a claimed/ aspired status — not a fixed identity. Traditional business communities also include Parsis, Sindhis, Bohras, Jains.
- **Support price ≠ subsidy.** Support price guarantees a buying price; subsidy lowers input costs.
- **Liberalisation withdraws support prices and subsidies** — a question that lists "increased subsidy" as a feature of liberalisation is wrong.
- **Organised → unorganised shift** is the **cost** of liberalisation for labour — distractors may invert this and claim liberalisation creates organised-sector jobs.
- **Gell studied Dhorai (Bastar)**, not Pushkar; Pushkar is the **separate** tourist-commodification example.
- **Birlas are Marwaris** — a basic identification trap.
- **Polanyi** (not Smith) gave us "embeddedness" — though NCERT doesn't name him, NTA may.

2.5 Thinkers / Theories

Thinker / Concept	Key Contribution	Page
Adam Smith (1723–90)	Wealth of Nations (1776); "invisible hand" — market self-regulation through individual exchanges	§4.1, p. 54
Karl Marx	Capitalism = commodity production + wage labour + extraction of surplus value; class theory	§4.2, p. 61
Max Weber	"Status symbol"; consumption as marker of lifestyle and status group	§4.2, p. 63
Karl Polanyi (implied)	Economies as "embedded" in social relations — the sociological alternative to neoclassical economics	§4.1, p. 55
Alfred Gell (1982)	Ethnography of Dhorai weekly haat in Bastar	§4.1, Box 4.1, p. 57
David Rudner (1994)	Caste-based banking of the Nakarattars of Tamil Nadu	Box 4.2, p. 58
Anne Hardgrove (2004)	Study of the colonial rise of the Marwaris in Calcutta	§4.1, p. 60
Birla family	Leading Marwari industrial house	§4.1, p. 60
Banjaras	Tribal group controlling salt trade under colonialism	§4.1, p. 59
Nakarattars	Tamil mercantile caste with banking network	Box 4.2, p. 58
Pushkar fair (Box 4.3)	Cultural commodity — pilgrim/cattle fair turned global tourist spectacle	Box 4.3, pp. 65–66
Jajmani system	Pre-colonial hereditary service exchange — non-market	§4.1, p. 58
Hundi	Caste-trust based bill of exchange enabling long-distance trade	§4.1, p. 58
Liberalisation (late 1980s →)	Indian state's policy of privatisation, deregulation, tariff reduction	§4.3, p. 66
Commodification (Marx → contemporary)	Bottled water, marriage bureaus, coaching classes, yoga	§4.2, pp. 61–62

Practice MCQs

PYQ Alignment

This chapter is a regular CUET source — terms like commodification, status symbol, hundi, jajmani, invisible hand, Marwaris, Nakarattars, support price, subsidy, liberalisation and globalisation appear in direct factual recall and statement-based questions almost every year. Expect around 8–10 MCQs annually, with match-the-following on communities and assertion–reason on commodification or liberalisation.

CUET 2025 — Actual PYQs from this chapter

Q.17 (CUET 2025) The Nakarattars banking system is based on:

- A) Class-based banking system B) Caste-based banking system C) Western banking system D) Free trade system **Tests:** Nakarattars (Nattukottai Chettiars) — caste/community-based traditional banking. **Answer:** Not in extracted key

Q.28 (CUET 2025) The process by which something that was not a commodity before becomes a commodity is known as:

- A) Commodification B) Capitalism C) Labour power D) Mode of production **Tests:** Commodification — extension of market logic to new objects/services. **Answer:** Not in extracted key

CUET 2024 — Actual PYQs from this chapter

Q.5 (CUET 2024) Which of the following are arguments given by Alfred Gell to explain the significance of market beyond its economic function? (A) Layout of the market symbolises hierarchical social relations (B) Few goods are free in the market for lower groups (C) Social groups are located according to caste hierarchy (D) Tribal–non tribal trader interactions reflect inequalities

- A) A, B and D only B) A and C only C) A, B, C and D D) A, C and D only **Tests:** Alfred Gell's Dhorai weekly market — market as a social/cultural institution. **Answer:** Not in extracted key

CUET 2023 — Actual PYQs from this chapter

Q.8 (CUET 2023) Match List-I with List-II: A. Wealth of Nations B. Capitalism C. Status Symbol D. Hierarchical Social Groups / I. Max Weber II. Alfred Gell III. Adam Smith IV. Karl Marx.

- A) A-III, B-I, C-II, D-IV B) A-III, B-II, C-I, D-IV C) A-III, B-IV, C-I, D-II D) A-III, B-I, C-IV, D-II **Tests:** Adam Smith on **Wealth of Nations**; Marx on capitalism; Weber on status symbol; Gell on hierarchical layout of market. **Answer:** Not in extracted key

Q.9 (CUET 2023) Weekly markets changed during colonial rule. Which changes occurred? A. Tribals lost their land to outsiders B. Tribal areas were opened by roads C. Tribals practiced barter system D. Rich forests and resources became available E. Tribals were introduced to money.

- A) A, B, D and E only B) A, B, C and D only C) A, B, C and E only D) A, D and C only

Tests: Transformation of tribal weekly markets under colonial economy. **Answer:** Not in extracted key

