



## Perspectives in economic sociology: Formalism, substantivism, market forms, globalization, development and the human economy

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### Abstract

Economic sociology has evolved into a rich interdisciplinary field that explores how economic activities are embedded in social institutions, cultural norms, and political structures. This article examines classical debates between formalism and substantivism, highlighting how anthropological and sociological perspectives challenged the universal application of neoclassical rationality to all societies. It explores various forms of exchange—reciprocity, redistribution, householding, and market exchange—emphasizing that markets are not merely economic mechanisms but socially constructed institutions that operate through trust, networks, and regulation. The rise of the new economic sociology reasserted the significance of embeddedness, contrasting sharply with both old and new institutional economics, which tend to privilege rational-choice assumptions. The paper critically analyses the market as a form of exchange, examining tensions between market efficiency and social efficacy, and the persistent need for regulation to protect vulnerable groups and ensure equitable outcomes. The discussion then shifts to globalization, tracing changing patterns of industrialization, the growth of the service sector, and emerging forms of corporate governance. Special attention is given to India, where debates over foreign capital versus indigenous enterprise, the decline of trade unions, and shifts in labor policy highlight structural transformations in the economy. The article further explores the political economy of caste, communalism, and gender, illustrating how social hierarchies interact with economic reforms to reproduce inequality. Finally, it engages with the human economy approach, focusing on unequal development, the impact of liberalisation on poverty and inequality, and the moral economy of corruption. Overall, the paper argues that economic processes cannot be separated from their socio-political contexts. A comprehensive understanding of development and globalization requires attention to power relations, institutional structures, cultural meanings, and the everyday moral choices that shape economic life.

**Keywords:** Economic sociology, formalism, substantivism, market exchange, globalization, institutional economics, service sector, industrialization, trade unions, caste economy, communalism, gender and development, corporate governance, moral economy, liberalisation

### Introduction

Economic sociology emerged to bridge the gap between classical sociological theory and mainstream economics, challenging the assumption that economic behavior is universally rational, individualistic, and market-driven. While economics traditionally defines itself as the science of choice under scarcity, economic sociology emphasizes the social embeddedness of economic action—how norms, networks, institutions, power, and culture shape economic outcomes. The classical debates of formalism versus substantivism laid the foundation for the field, and contemporary concerns—globalization, neoliberal reforms, unequal development, corruption, and identity-based politics—have expanded its scope. This article synthesizes these themes, providing a comprehensive overview of the complex intersections between economy, society, and politics.

### Perspectives in Economic Sociology: Formalism and Substantivism

#### 1. The Formalist Perspective

Formalist economics, strongly associated with neoclassical theory, defines economic action as rational calculation aimed at maximizing utility under conditions of scarcity. The formalist position assumes that these principles of rational decision-making apply universally across societies. It constructs individuals as self-interested actors whose

choices can be mathematically modeled and aggregated to explain market outcomes. In anthropology, formalists like Raymond Firth argued that even in so-called primitive societies, individuals make rational decisions consistent with economic logic.

#### 2. The Substantivist Perspective

Substantivism, articulated most famously by Karl Polanyi, challenged this universalism. Polanyi argued that in many non-capitalist or pre-capitalist societies, economic activities are *embedded* in social, cultural, and religious institutions rather than governed by autonomous market logic. Substantivists maintain that exchange, production, and distribution are shaped by kinship, reciprocity, authority, and communal norms rather than formal cost-benefit calculation. The economy, therefore, must be studied within its cultural and institutional context.

#### 3. Reconciling the Debate

While formalism emphasizes universality and abstraction, substantivism underscores historical specificity and social embeddedness. Contemporary sociology tends to integrate both perspectives, recognizing that while markets use formal mechanisms of price and competition, these are always socially structured. Economic actors operate within constraints created by kinship ties, caste, gender norms, and

networks that influence their choices, thereby producing mixed forms of rationality.

### Various Forms of Exchange

#### 1. Market Exchange

Market exchange involves impersonal, price-mediated transactions. It is driven by supply and demand principles but deeply shaped by institutions such as law, contracts, and regulatory frameworks.

#### 2. Reciprocity

Reciprocity refers to mutual exchange of goods or services without explicit pricing. It is common in kinship-based societies and continues in modern contexts through gift economies, informal networks, and social obligations.

#### 3. Redistribution

Redistribution occurs when a central authority collects resources and reallocates them—seen in taxation, welfare states, community feasts, and public goods provisioning.

#### 4. House holding / Self-Provisioning

House holding is production for direct consumption within families or small communities. In rural India, subsistence farming and women's unpaid labor remain central to householding.

#### 5. Hybrid Forms in Modern Societies

Most contemporary economies—including India's—are characterized by overlapping forms: informal networks, market transactions, state redistribution, and householding coexist, demonstrating that no society is purely market-driven.

### New Economic Sociology and Its Importance

The New Economic Sociology (NES) emerged in the 1980s and 1990s as a reaction to both the narrowness of neoclassical economics and the decline of classical economic sociology.

#### 1. Key Themes

1. **Embeddedness (Granovetter):** Economic action is embedded in social networks.
2. **Trust and social capital:** Market efficiency depends on norms, trust, and repeated interactions.
3. **Institutions:** Rules, norms, and organizational structures shape economic outcomes.
4. **Culture:** Meanings, identities, and moral frameworks inform economic behavior.

#### 2. Distinction from Old Institutional Economics (OIE)

OIE, represented by thinkers like Veblen and Commons, emphasized habits, institutions, and evolutionary change. However, it lacked the robust sociological grounding that NES introduced.

#### 3. Distinction from New Institutional Economics (NIE)

NIE (e.g., North, Williamson) applies rational-choice logic to institutions, treating them as constraints that emerge to reduce transaction costs. NES critiques this reductionism and instead highlights power, culture, and social relations.

### Market as a Form of Exchange, Market Efficiency and Social Efficacy

#### 1. Market Efficiency

Market efficiency refers to optimal allocation of resources through price mechanisms. Its values competition, innovation, and productivity.

#### 2. Social Efficacy

However, markets often fail to deliver equitable outcomes. Social efficacy concerns whether market processes improve well-being, uphold justice, and protect vulnerable populations.

#### 3. Need for Market Regulation

##### Regulation ensures

1. consumer protection
2. prevention of monopolies
3. environmental safeguards
4. labor rights
5. reduction of inequality

In India, regulation is essential to manage corporate power, protect informal workers, and prevent exploitative practices such as predatory lending or agrarian distress resulting from price volatility.

### Market and Society in India

India presents a complex interaction between markets and social structures.

#### 1. The Embedded Market

Caste networks shape business opportunities, credit, employment, and marriage alliances. Informal markets rely heavily on trust and social capital, while caste-based business communities such as Marwaris, Chettiars, and Nadars illustrate how social identity organizes economic life.

#### 2. Informal Economy

Over 80% of India's workforce is in the informal sector, where regulation is weak, wages are low, and social protection is minimal.

#### 3. Social Hierarchies and Economic Inequality

Economic reforms have disproportionately benefited upper-caste, urban, and educated populations, reinforcing structural inequalities.

### Trends in Contemporary Globalization

#### 1. Changing Patterns of Industrialization

Globalization shifted industrialization from labor-intensive production to automation, digitization, and global value chains. Developing countries, including India, entered global markets as suppliers of labor-intensive goods while simultaneously losing manufacturing jobs due to technological change.

#### 2. Growth of the Service Sector

India's service sector—IT, finance, telecommunications, e-commerce—became the primary driver of economic growth. However, it created *islands of prosperity* but limited employment for low-skilled workers.

#### 3. Industrial Corporations and Corporate Governance

Globalization increased the importance of:

1. Transparency
2. Accountability
3. Corporate social responsibility (CSR)
4. Environmental and social governance (ESG)
5. Compliance with global standards

Indian corporations now operate under intense scrutiny from global investors, rating agencies, and international regulatory norms.

#### 4. Foreign Capital vs Indigenous Enterprise

The debate centers on whether foreign investment undermines local industries or promotes technological upgrading. While foreign capital brings investment and innovation, it may also weaken domestic enterprises, increase dependency, and displace small producers.

### Labor Policy and the Decline of Trade Unions

#### 1. Rise of Flexible Labour Regimes

Liberalisation introduced contract labour, outsourcing, and flexible hiring. These reduced labor costs but weakened job security.

#### 2. Decline of Trade Unions

Trade union membership has declined due to

1. Informalization
2. Anti-union policies
3. Automation
4. Global competition
5. Fragmentation across caste and religion
6. Unions struggle to organize the vast informal workforce.

#### 3. New Challenges

Gig workers (such as delivery drivers and platform laborers) lack social security, raising urgent questions about workers' rights in digital capitalism.

### Human Economy and Unequal Development

#### 1. The Human Economy Approach

This approach argues that development should focus on people, ethics, and social well-being rather than GDP growth alone.

#### 2. Impact of Liberalisation on Poverty and Inequality

Liberalisation has

1. Reduced extreme poverty in some regions
2. Increased income and wealth inequality
3. Widened rural-urban gaps
4. Deepened caste and gender disparities

While urban middle classes benefited from new opportunities, marginalized groups faced job insecurity, agrarian distress, and restricted access to quality education and healthcare.

### The Political Economy of Caste and Communalism

#### 1. Caste and Economic Power

Caste determines access to land, capital, networks, and markets. Dalits and Adivasis remain disproportionately poor due to historical exclusion and contemporary discrimination.

#### 2. Communalism and Economic Competition

Communal identity influences hiring, credit access, housing, and business ownership. Economic competition is often

framed through religious identities, leading to communal tensions that disrupt markets and investment.

### 3. Identity Politics and State Resources

Political parties use caste and community bases to distribute benefits, shaping subsidies, reservation policies, and local development initiatives.

### Gender Issues in Development

#### 1. Gendered Division of Labor

Women bear disproportionate unpaid care work and are concentrated in low-wage informal work.

#### 2. Feminization of Poverty

Globalization and labor flexibilization increased women's vulnerability, while patriarchal norms restrict economic participation.

#### 3. Gender Empowerment

Microfinance, self-help groups (SHGs), and digital banking have supported women's entrepreneurship, but structural barriers persist in credit access, property ownership, and representation in corporate leadership.

### The Moral Economy of Corruption

Corruption is not only a legal violation but a moral and social practice shaped by norms of reciprocity, obligation, and patronage. In many contexts, corruption functions as an informal redistribution mechanism, though it also undermines public trust, distorts development priorities, and widens inequality. Economic sociology helps explain how corruption survives through networks, social pressures, and moral justifications.

### Conclusion

Economic sociology provides essential insights into how economic behavior is embedded in social structures, cultural meanings, political power, and historical legacies. By examining formalism, substantivism, market exchange, globalization, labor transitions, caste, gender, and the human economy, this article highlights the complexity of economic life in India and the globalized world. The key message is that markets cannot be understood in isolation; they require social regulation, moral evaluation, and political accountability to ensure inclusive and equitable development.

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