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# UNIT 5 RELATIONSHIP OF SOCIOLOGY WITH ECONOMICS\*

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## 5.0 OBJECTIVES

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After studying this Unit, you will be able to:

- Discuss the origin and development of the discipline;
- Describe its subject matter;
- Understand the reciprocal relationship between sociology and economics; and
- Analyze common issues concerning both sociology and economics.

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## 5.1 INTRODUCTION

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This unit discusses sociology and its relationship with economics. There is always a connection between the social conditions of a period and the ideas which are dominant in that period. The development of sociology as a scientific discipline can therefore be traced back to the period of European history which experienced tremendous social, political and economic changes as embodied in the French Revolution and the Industrial Revolution of seventeenth-eighteenth century. This was also known as the Enlightenment period because of the development of science and the positivist philosophy. Social thought, Social Philosophy and Social theory are the various stages that signify the development of sociological theories over several periods and ages. Sociology as a branch of social sciences

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has its own characteristics. It is different from other social sciences in certain respects.

Following are the main characteristics of Sociology:

- a) *Sociology is an Independent Science:* Sociology has now become a completely independent discipline and it is no more treated as a branch of any other social sciences like history, political science or philosophy. As an independent discipline, it has developed its own field of study, boundary and method.
- b) *Sociology is a social science and not a physical science:* Sociology belongs to the network of social sciences and not to the physical sciences like Physics, Chemistry or Biology. As a social science it focuses on man, his social behavior, social activities and social life. Instead of the above we can say
- c) *Sociology developed as an independent discipline out of Social Philosophy*
- d) *It was a discipline that evolved when it was realized that society is a constructed entity and can change like it did during the French and American Revolutions.*

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## 5.2 RELATIONSHIP OF SOCIOLOGY WITH ECONOMICS

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### 5.2.1 Definition of Sociology

Sociology focuses on organization of social relationships and attempts to analyze the dynamics of organized patterns of social relations and social behavior. One can say that primarily it tries to answer three basic questions. Firstly, how and why societies emerge? Secondly how and why societies persist? And how and why societies change? Most of the sociologists agree on the following,

- a) The major concern of sociology is with the analysis of human social behavior and relationships.
- b) Sociology gives attention to the study of primary social institutions such as family and maintenance of social order.
- c) Sociology focuses on evolution, transformation and functioning of social life.
- d) Sociology deals with social process such as co-operation and competition, accommodation and assimilation, social conflict, communication in society, social differentiation and social stratification.

Sociology has its own methodology and is based on empirical data collection and inductive reasoning but also has deductive aspects at the level of generalizations.

#### **Sociology**

Sociology is an important discipline because it concerns our own lives as human beings. All humans are social- we could not develop as children or exist as adults without having social ties to others. Society is thus the very condition of human existence. At the same time, we all actively shape the society in which we live. Hence, sociology is a general science of society.

## 5.2.2 Definition of Economics

Economics is a social science that deals with human wants and their satisfaction. Classical economics assumes that people have unlimited wants and the resources to satisfy these wants are limited. They are always engaged in work to secure the things they need for the satisfaction of their wants. The farmer in the field, the worker in the factory, the clerk in the office, and the teacher in the school are all at work. The basic question that arises here is: Why different people undertake these activities? The answer is that they are working to earn income with which they satisfy their wants.

People have multiple wants to satisfy. People's multiple wants includes basic needs such as food, cloth, shelter and other needs like better education, better health facilities etc. According to one perspective it is assumed that there is no limit for human wants, it is insatiable. When one wants get satisfied, another want automatically takes place and so on in an endless succession. Hence, we say that it is impossible to satisfy one's want. People earn money by doing some work or activity and they use this money to satisfy their wants. Economics is about the conversion of raw material into usable good, called production. The use of these goods called consumption and the distribution of resources in society.

Thus human activities have two common aspects; first, we are all engaged in providing for our needs, and secondly, needs vary for different goods and services. This *action of acquiring resources and spending* is called *economic activity*. Seligman says, the starting point of all economic activity is the existence of human wants. Wants give rise to efforts and efforts secure satisfaction. The things which directly satisfy human wants are called consumption goods. A few consumption goods like air, sunshine, etc. are abundant. They are available at free cost. But most of goods are scarce. They are available only by paying a price. And, therefore, they are called economic goods. They do not exist in sufficient quantity to satisfy all wants.

### Economics

Economics is the study of consumption, production and wealth distribution

As a science of society, Sociology is highly concerned with the institutions and associations of human beings. Sociology is the scientific studies of human interactions and inter-relations, their conditions and consequences. But Economics deals with economic activities of man. It is basically a science of wealth and choice. According to Prof. Robbins, "*Economics is a social science which studies human behavior in relation to his unlimited ends and scarce means which have alternative uses.*" It largely focuses on the activities of man such as production, consumption, distribution and exchange. It also studies the structure and functions of different economic organizations like banks, markets etc... From this, it is obvious that Economics is concerned with the material needs of humans as well as their material welfare.

However, there exists a great deal of inter-relationship between these two important branches of social sciences. Both are interdependent and inter-related. Because of this inter-relationship, Thomas opines that, "Economics is, in fact, but one branch of Sociology." Similarly Silverman opines that Economics is

regarded as an offshoot of sociology which studies the general principles of all social relations. Their inter-relationships are as follows:

Economics is concerned with material welfare of individuals which in turn is the basis for common welfare. In order to achieve common welfare, Economics takes help from all social sciences and mostly from sociology. For its own comprehension, economics takes help of sociology and depends on it. Economics is a part of sociology hence without the help from sociology; it is very difficult to understand economics completely.

We knew that economic welfare is a part of social welfare. When there are economic problems in society, such as inflation, poverty and unemployment, economists usually takes the help of sociology and they take into account the social events occurred at that particular time. At the same time it is true that society controls the economic activities of an individual. Classical sociologists like Max Weber, Vilfredo Pareto etc have done extensive and rigorous research on economy and society which was later great beneficial for economics. Some economists also consider economic change as an aspect of social change. Usually generalization of any economic problem is based on the data collected/provided by sociology. Thus it is very clear that economics cannot go far alone or develop as an independent subject of social sciences without the help of sociology

Similarly, Sociology too takes help from economics. Economics greatly enriches sociological knowledge. Economic factors greatly influence each and every aspects of social life. Some of the important social problems like dowry, suicide etc. cannot be sociologically analyzed without the help of economics because these social problems are mainly of economic crisis. Hence, we can say that economics is a part of sociology and without the help of economics; sociologists will not be able to find solutions for many social problems. Economics greatly contribute to the field of sociological knowledge and research. The well-known social scientist Karl Marx said that economic relations constitute the foundation of society. Economic factors plays vital role in every aspect of our social life and so, Sociologists are concerned with economic institutions. For this reason, Sociologists like Spencer, Weber, Durkheim and others have relied on economics in their analysis of social relationships.

The fact that society is largely influenced by economic factors while economic process determined by the social conditions does suggests that the relation between Sociology and Economics is very intimate. Economics can be defined as a study of human beings in ordinary business of life or in other words, it is the sciences of wealth in its three phases of production, distribution and consumption.

The area of co-operation between Sociology and Economics is widening. Economists are more and more making use of the sociological concepts in the study of economic problems. Economists work with sociologists in their study of the problems of economic development in underdeveloped countries. Combined efforts of both the experts may be of great practical help in meeting the challenges.

Thus it is clear from the forgoing paragraphs that both sociology and economics are very closely related to each other. There are some problems which are studied by both sociologists and economists. Economic changes results in social changes and vice versa.

### 5.2.3 Differences Between Sociology and Economics

Despite the above discussed interrelationship between sociology and economics, both the sciences have certain differences which are discussed below:

- 1) Sociology primarily studies about society and social relationships whereas economics studies about wealth and choice.
- 2) Sociology emerged as a science of society very recently whereas economics is comparatively an older science.
- 3) Sociology is considered as an abstract science whereas economics is considered as a concrete science in the domain of social sciences.
- 4) Sociology generally deals with all aspects of social science whereas economics deals specific aspects of social science.
- 5) Sociology has a very wide scope whereas economics scope is very limited.
- 6) Sociology is concerned with the social activities of individuals whereas economics is concerned with their economic activities.
- 7) Society is studied as a unit of study in Sociology whereas individual is taken as a unit of study in economics.
- 8) Both Sociology and economics differ from each other in respect of the methods and techniques they use for their study.

### 5.2.4 Definitions Given by Different Economists and their Relation to Sociology

According to A.C. Pigou, “Economics studies that part of social welfare which can be brought directly or indirectly into relationship with the measuring rod of money.” Here, instead of taking individualistic needs and concerns, he is concerned with the society as a whole which is the basis of the subject of Sociology. Here, he opines that social relations are formed due to the presence of wealth which is the domain of Economics. If we look at societal relations, we observe that in most of the cases, the rich wish to interact and spend time with the rich only and seem to ignore the presence of the poor. Moreover, the rich often feel superior over the poor owing to large chunks of money which they possess due to which they fulfill their material needs by buying both cheaper and expensive commodities. In addition, the poor often feel uncomfortable while interacting with the rich and develop a feeling of inferiority owing to lack of resources. Hence, wealth tends to affect the formation of social groups in the society.

John Stuart Mill (1844) defines the subject of economics in a social context as:- “The science which traces the laws of such of the phenomena of society as arise from the combined operations of mankind for the production of wealth, in so far as those phenomena are not modified by the pursuit of any other object.” Clearly, the concept of societal effect on the economic activities is reflected in the above definition and the laws of nature prevalent in the society which form the basis for the production of economic output.

According to Alfred Marshall, who was a neo-classical economist: “Economics is the study of mankind in the ordinary business of life; it examines that part of individual and social action which is most closely connected with the use and attainment of material requisites of well-being.” This shows that Economics is concerned with the study of man and deals with their activities in the social setup i.e. study the activities of human being in the social setup. It is the study of man in one hand and social organization of economic activities on the other hand. He developed an original view of the relation between individuality and societal aspect by saying that, “Perhaps the earlier English Economists confined their attention too much to the motives of individual action. But in fact economists, like all other students of social science, are concerned with individuals chiefly as members of the social organism. As a cathedral is something more than the stones of which it is made, as a person is something more than a series of thoughts and feelings, so the life of society is something more than the sum of lives of its individual members. It is true that the action of the whole is made up of that of its constituent parts; and that in most economic problems the best starting-point is to be found in the motives that affect the individual, regarded not indeed as an isolated atom, but as a member of some particular trade or industrial group. While including the welfare of the society as a whole, he is rejecting a way of characterizing society as set of isolated and competitive individuals which presupposes the human interaction to take place in the society for people to not have any clashes of interest.

Sir James Steuart (1767) is the premier English economist to use the concept of ‘political economy’ by saying that, Economy in general, is the art of providing for all the wants of the family’, so the science of political economy seeks ‘to secure a certain fund of subsistence for all the inhabitants, to obviate every circumstance which may render it precarious; to provide everything necessary for supplying the wants of the society, and to employ the inhabitants... in such a manner as naturally to create reciprocal relations and dependencies between them, so as to make their several interests lead them to supply one another.” He introduced many essential elements of society such as family, population, social interaction, exchange. which are subject matters of sociology. Hence, the relation between Economics and Sociology seems well established.

### **5.2.5 Definitions Given by Different Sociologists and their Relation to Economics**

Max Weber defines sociology as “The science which attempts the interpretative understanding of social action in order thereby to arrive at a casual explanation of its cause and effects.” It deals with cause and effect principle which is commonly found in Economics and the various policies related to it. There are many causes that lead to different societal effects. For examples, The French Revolution was due to the atrocities and injustices faced by ordinary people leading to poor economic welfare and also due to sprouting up of the notion in the minds of the people about the notion of blaming humans for everything injurious they suffered and not finding out probable reason for the same. Thus, the given revolution was a result of economic and behavioral i.e. sociological aspect and both are interconnected to each other leading to a common effect i.e. revolution.

Morris Ginsberg defines sociology in the following way: “In the broadest sense, sociology is the study of human interactions and inter-relations, their conditions and consequences”

There are many factors that govern this interaction which includes emotional, behavioral, as well as economic factors. For example, Parents fulfill all the economic needs of their children (till the time they are competent and able to earn money) in a family i.e. social institution, by making available all the necessary goods and services for their children. Further, a man often looks after all the material needs of his wife which becomes the part of social interaction. Hence, these social interactions include the economic aspect which is of prime importance.

**Check Your Progress 1**

- 1) Discuss the relationship of sociology with economics.

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- 2) Elucidate the common issues concerning both sociology and economics.

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- 3) Illustrate the differences between sociology and economics.

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## 5.3 ECONOMIC SOCIOLOGY AS A SUB-DISCIPLINE OF SOCIOLOGY

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### 5.3.1 History of Economic Sociology

One can see the roots of economic sociology in the classical philosophical and social science tradition, however it emerged as a systematic academic subdivision of sociology in less than a century ago. After it became an academic sub discipline of its parent discipline, it has made remarkable contribution in analyzing society from an economic perspective. If we closely observe, we can find out that the birth of economic sociology in the writings of Karl Marx. Smelser, N, J and Swedberg, R says that the first use of the term *economic sociology* seems to have been in 1879, when it appears in a work by British economist W. Stanley Jevons ([1879] 1965). The term was taken over by the sociologists and appears, for example, in the works of Durkheim and Weber during the years 1890–1920. It is also during these decades that classical economic sociology is born, as exemplified by such works as *The Division of Labor in Society* (1893) by Durkheim, *The Philosophy of Money* (1900) by Simmel, and *Economy and Society* (produced 1908-20) by Weber. These classics of economic sociology are remarkable for the following characteristics. First, Weber and others shared the sense that they were pioneers, building up a type of analysis that had not existed before. Second, they focused on the most fundamental questions of the field: What is the role of the economy in society? How does the sociological analysis of the economy differ from that of the economists? What is an economic action? To this should be added that the classical figures were preoccupied with understanding capitalism and its impact on society — “the great transformation” that it had brought about.

### 5.3.2 Contemporary Economic Sociology

In the recent times, especially after 1980’s, economic sociology experienced a remarkable revival. Few sociologists, who were doing rigorous research on the relationship between market and society, contributed a flurry of articles on the networks of market and society, which eventually lead to the revival of economic sociology into an important subfield of sociology. The main contributor of 1980’s was Mark Granovetter, who emphasized on the embeddedness of economic action in concrete social relations. In the article *Economic Institutions as Social constructions*, Granovetter argues that institutions are actually congealed social networks, and, because economic action mostly takes place in these networks, social scientists must consider interpersonal relationships while studying economy. He further argues that in the contemporary economic sociology markets are considered as networks of producers watching each other and trying carve out niches. Hence, we can say that such networks are the core area of concern in the contemporary economic sociology.

Karl Polanyi is another renowned contributor to economic sociology, argued that the birth of the free market was an institutional transformation necessarily promoted by the state. This got a general acceptance in the domain of economic sociology.



### 5.3.3 Origin of New Economic Sociology

Convert, B and Heilbron, J in their article *Where Did the New Economic Sociology Come From* provides a detailed account of the emergence of new economic sociology. They argue that the new economic sociology obtained its scientific legitimacy by bringing together two promising new currents: network analysis and neo-institutionalism, along with a more marginal cultural mode of analysis. This has led to the “new economic sociology,” to become one of the liveliest subfields of sociology.

#### Economic Sociology

According to Britannica encyclopedia, economic sociology is the application of sociological methods to understand the production, distribution, exchange, and consumption of goods and services. Economic sociology is particularly attentive to the relationships between economic activity, the rest of society, and changes in the institutions that contextualize and condition economic activity.

## 5.4 COMMON ISSUES CONCERNING BOTH SOCIOLOGY AND ECONOMICS

### 5.4.1 Unemployment

When we talk about unemployment, we generally consider it as an economic problem. However, when we look at the roots of unemployment, one can see that it is equally important for sociology as well. In the eyes of sociologist, unemployment is a social problem, sociologists argue that social factors equally contribute to unemployment. Many of the pioneer sociologists who worked on social problems described unemployment is a product of social factors such as degrading social status, rapid growth of population, drawback in educational system and geographical immobility. A few sociologists have also linked it with the personal factors such as illness, disability, professional unfitness and lack of experiences.

For economists, unemployment is an economic problem. They explain unemployment through the transition of capitalists' societies to post-industrial and in the present globalized economies. Economists argues that the occurrence of unemployment largely depends upon the demand for labour i.e the number of jobs available which falls short of labour supply i.e the number of persons who are willing to work. The reasons for unemployment in India is due to the increasing population of the country and rate at which it's increasing has surpassed the rate at which jobs are created, due to which many people in India are left jobless and they are unhappy in the society. It is also leading to declining welfare and human resource in the country.

### 5.4.2 Child Labour

Child Labour has become a common dismal practice in many developing countries like India wherein thousands of minors are made to work and are therefore deprived of education, health facilities, leisure activities, and basic freedoms, violating their rights. Most often, it is not the children who decide to start working

instead of going to schools but there are a host of other socioeconomic factors primarily related to their families or households that force them to work. Moreover, these children generally do not get sufficiently paid for their work. In most of the families in rural areas, children are often made to engage in agricultural activities and in urban areas, poor families often send their female children who are seen as a burden to work as maid servants in domestic households. Thus, the cause of child labour is lack of economic resources which force the parents to send their children to work.

### 5.4.3 Inequality

Inequality is also a common topic of academic enquiry in both economics and sociology. Economist will be looking upon economic inequality whereas sociologist will meticulously analyze the social inequality prevailing in society. Both economic and social inequality can be defined in the following way,

- a) **Economic Inequality** is shown by people on the basis of their different positions within the economic distribution such as people's income, pay and their wealth. Therefore economic inequality is divided into three. These are income inequality, pay inequality and wealth inequality. The first one i.e income inequality refers the extent to which income is distributed unevenly in a group of people. Here we must note that income is not just pay but all the money received from job which includes wages, salaries and even bonuses as well.

Pay inequality is another kind of economic inequality which refers to a person's pay is different to their income. Here pay refers to payment from employment only. And the last type of economic inequality i.e wealth inequality refers to the unequal distribution of assets in a group of people. Here wealth refers to the total amount of assets of an individual or household. It includes their financial assets such as bonds, stocks, property and their pensions.

- b) **Social Inequality**  
Social inequality occurs when the social resources are distributed unequally. We can say that it mainly occurs on the basis of class, caste, race and gender. We know that all these are characterized by the existence of unequal opportunities and rewards for the social positions and status it holds. M Haralambos in his much-celebrated book *Sociology: Themes and Perspectives* discusses about social versus natural inequalities. He argues that many stratification systems are accompanied by beliefs that state that social inequalities are biologically based. For example racial inequality/ racial discrimination where whites claims biological superiority over blacks and see this as the basis for their dominance.

#### Check Your Progress 2

- 1) How do you conceive economic sociology as a sub discipline of sociology?  
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- 2) What are the common issues concerning for both sociology and explain. Illustrate your answer with suitable examples.

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## 5.5 LET US SUM UP

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In this unit we have tried to understand the relationship of sociology with economics. The relation of sociology with economics has been extensively proved in this unit by showing how society is greatly influenced by economic factors and how economic processes are determined by social environment. The conflicts and hatred among the people in the society has its deep route in economics such as property conflicts between parents and their children. We have proved that that most of the economic phenomena has been constantly determined by numerous social needs and social status such as excessive spending on goods and resources in order to raise one's status in the society. Rich people often buy luxury goods for showing off their superiority in terms of wealth over others. An individual's social life such as the type of family, education, authority, marriage, structure, determines factors like family expenditure, credit facilities, and expenditure at the time of marriage, etc. It is the economic factor which influences the individual's life style and needs. The economic needs of the society are generally met through social institutions. Thus, the two subjects are complementary to each other and it is difficult, rather impossible, to study one subject by leaving the other.

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