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# UNIT 14 DISTRIBUTION PROCESSES

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## 14.0 OBJECTIVES

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On going through this unit you should be able to describe:

- various aspects of the distribution system;
- different types of distribution and exchange of goods and services in various societies; and
- about market exchange and its features.

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## 14.1 INTRODUCTION

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In this unit you will learn about the concepts of distribution. Various types of exchange are discussed here. The idea of reciprocal exchange and the types of economic reciprocity are brought out. Exchange based on redistribution, features of the market exchange, and networks of services are all dealt with in this unit.

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## 14.2 DISTRIBUTION

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If people kept their products for themselves, the social benefits of co-operation would be lost. In every society the fruits of production are unevenly dispersed among people and in relation to time. To cope with this problem, every society manifests a system of distribution or a set of strategies for apportioning goods and services among the members of a community. The allocation or exchange of goods and services within a local group or between different local groups is known as distribution or a system of exchange. By far, the most common way people distribute goods and services is through economic exchange. It consists of the cultural rules for the transfer of goods and services that we need to survive and to live normal social lives through exchange. The system of exchange is found in every economy, even the most primitive. There are six possible kinds of exchange according to the items exchanged: goods for goods, services for services, goods for services, money for goods, money for services and money for money. The use of money occurs only in relatively advanced economies. The most notable fact about exchange is that it requires a transaction between people. Exchange system provide the rules and the motivation for individuals to give one another material goods and to provide each other with services.

## 14.3 TYPES OF EXCHANGE SYSTEMS

Karl Polanyi, an economic historian, has identified three different modes of allocation or principles of exchange: reciprocity, redistribution and market exchange. What we should remember is that every economy is characterised by at least one of these systems of exchange. However, many economies are based on two or all three of these systems of exchange. Let us know about each one of these systems one by one. Each mode embodies a particular system of rules that makes it different from others and each gives the transfer of goods and services special meaning.

### 14.3.1 Reciprocal Exchange

This method refers to transfer of goods or services between two people or groups based on their role obligations. We visit our grandparents with presents during holidays, offer a friend a ride to school and so on. We behave according to rules defined by reciprocal exchange, revolving around the notion of role obligation. The reason for their reciprocal exchange is not necessarily dictated by the desire for the material goods themselves as it is in the market. Certainly the mother and the son attempt to give each other items they know will be appreciated, but the reason for the exchange is their obligation to one another, an obligation they assume when they take on the status of mother and son. If the son fails to give anything to his mother, she will be hurt and disappointed. Similarly, a mother who did not give gifts would also have to face very disappointed children. For this reason, reciprocal exchange does not usually occur between strangers.



Resiprocal Exchange

Further, reciprocal exchange is not dictated by maximisation which is the basic principle operating in market exchange. When the mother gives her son some gift, she does not bother about what the son is going to give to her in return, nor will she give the set to the boy's sister (daughter) because the girl has a more valuable present for her. She simply makes the exchange because it is a culturally defined obligation associated with her role as a mother.

#### Activity 1

Find out from close family members or friends about a marriage held recently which you attended; as family or friend; about the kinds of gift exchanges or services hired. List out the kind of economic exchanges of goods and services that took place during the marriage according to its nature; eg. reciprocal exchange or market exchange, etc. Compare your list with other student's lists at your study centre.

### 14.3.1.1 Value of Goods

The value of the goods given need not be the same, but there is a tendency for an equality of value to characterise exchange between individuals of equal rank. As long as the value of items exchanged reciprocally is within the range of what is culturally defined as proper, the obligation of the parties to the exchange is met. Some forms of reciprocal exchange are difficult to recognise because they seem one-sided. It is easy to see that Christmas gift-giving is reciprocal because the two parties to the exchange give present to each other simultaneously. However, in many circumstances we may only witness a one-way exchange. For example, when a neighbour or a relative gives some money or an article as a gift to a bridegroom on the occasion of his marriage, the groom does not immediately return something of value to the donor. He will wait until the marriage of his friend or a relative. Delayed reciprocity of this sort places the people in a network of outstanding debts. Thus, we have seen two kinds of reciprocity:

#### i) Generalised reciprocity

In which neither the value nor what is given is calculated nor the time of repayment specified. Such transactions do not involve economic or other self-interest. That means generalised reciprocity is gift-giving without any immediate return or conscious thought of return.

#### ii) Balanced reciprocity

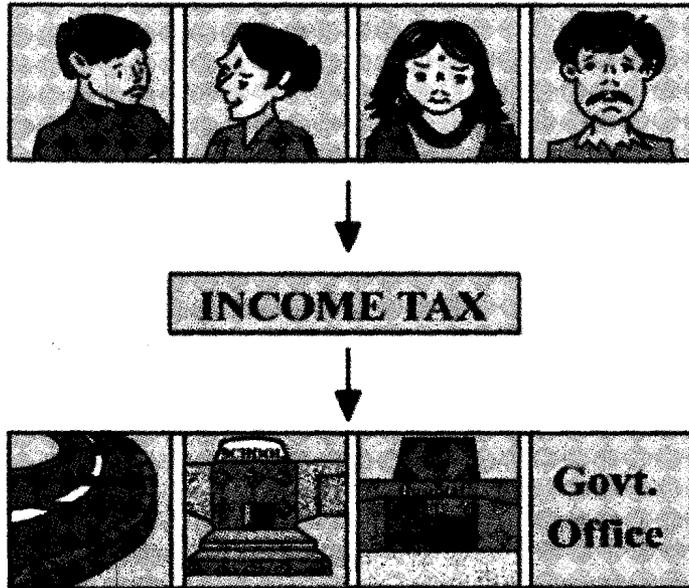
In which goods and services of commensurate worth are traded within a finite period (direct exchange). This sort of exchange is motivated by the desire or need for certain objects.

Thus reciprocal exchange serves as the major mode of transfer for members of hunting and food-gathering societies. For example, the animals caught or killed in the hunting by a solitary hunter are usually distributed among other members of the camp on the basis of obligations associated with kinship.

### 14.3.2 Exchange Based on Redistribution

This system of exchange refers to the transfer of goods and services between a group of people and a central collecting source based on role obligation. Like reciprocity, redistributive exchange occurs because people are obligated to each other. In other words, goods collected or contributed from members of a group flow to some central point from which they are redistributed to the society. Redistribution may be voluntary on the part of members for a society or it may be involuntary in that the collective centre uses agents to force the members to contribute goods and services to the authorities the redistributive centre varies from the head of a band or tribe to the ruler of a kingdom. Redistribution is the process which is found in all societies but it becomes an important mechanism of distribution only in societies with a relatively complex system of political organisation and a substantial economic surplus.

In all societies, there is some voluntary redistribution, at least within the family. Members of the family pool their labour or products or income for their common good. But redistribution exists in a majority of the hunting and fishing societies, in some horticultural societies, and in almost all pastoral and agricultural societies which contain political machinery of one kind or the other to co-ordinate centralised collection and distribution.



Redistribution

### 14.3.2.1 The Potlatch Ceremony

Potlatch ceremony among the North-West-Coast American Indians is also a form of redistribution. It involves ritual display of privileges and title and distribution of goods among the guests for the purpose of validating and enhancing the host's privileges and prestige. For example, the house building potlatch is most important, elaborate and spectacular. For about 10 years a man and his wife work hard to accumulate the required property. One year before the potlatch ceremony, the wife lends furs or blankets from the common store to various members of her clan.

Her clan members return them at the time of potlatch with hundred percent interests. At the time of potlatch the guests assemble in the new house and are seated according to their rank. Through this ritual while the recipients gain in material, the hosts acquire social and political prestige. While the host gets a dwelling and becomes thereby the house chief, the hostess gains social status for her children and for her clan. Both the host and the hostess thus gain political and social rank.

The most obvious example of a redistributive system is government taxation. In our role as citizens we are obligated to pay taxes to various governments both local and national. These governments are obligated to return taxes to us in the form of various services. The amount we pay may not equal the amount we get back and indeed, it is often difficult to determine the entire value of services that government provide to the people.

#### Check Your Progress 1

**Note:** a) Use the space below for your answers.

b) Check your answer with the one given at the end of this unit.

1) Write a note on reciprocal exchange. Use about five lines for your answer.

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- 2) Explain the idea of exchange based on redistribution. Use about seven lines for your answer.

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### 14.3.3 Market Exchange

It is the exchange of goods and services according to the law of supply and demand. The predominant feature of market exchange is that goods and services are bought and sold at a money price which is determined by the impersonal forces of supply and demand. Unlike reciprocity and redistribution, in which the social and political roles of those who exchange are important, a market exchange is impersonal and occurs no matter what the social position of the participants is. Market exchange is thus the most purely economic model of exchange. In this form of exchange social or political goals are less important than economic goals. Therefore, market exchange is also known as money exchange or commercial exchange. These exchange systems involving money emerge when an economy develops to the point where supplies of food regularly exceed the needs of those engaged in food production. Market exchange depends on how much people desire particular goods or services, and how much they must give to obtain them. Every time we speak of selling something or buying something we need, we are using terms associated with market exchange such as buy, sell, discount, price, money, cost, profit, loss etc. These words express various aspects of the many different transactions that characterise our complex market economy.



Market Exchange

#### 14.3.3.1 Features of Market Exchange

Buyers approach the sellers because of their direct need or desire for goods. Similarly, the sellers wish to exchange their goods because they need the money it will bring. They do so because they have an immediate need for other goods or services.

When individuals conduct market exchange, they try to maximise their profit by getting the maximum number of goods and services for the least expenditure of their own resources. This also means that the price of a particular item may change from day to day in relation to supply and the demand.

The third attribute of market exchange is that it determines the parties to the exchange. Because a seller and a buyer attempt to get the most for their limited resources, they will choose to deal with the individual who gives them the maximum value. There is no need to know the person with whom the transaction occurs. Thus market exchange facilitates the transfer of goods among strangers and is ideally suited to large and complex societies of today where most people do not know each other. For example, when we visit a super market, we need not know the sales girls or packers to buy the food we require, nor must we be personally acquainted with the manager of the State Electricity Board to pay our monthly electricity bill.

Market exchange leads to a setting of the value of goods and services in terms of each other. Over a period of time, the value of each commodity under exchange in the market becomes related. That is, the worth of any one commodity eventually be stated in terms of the values of another. Money facilitates such inter valuation immensely. Normally money is a market device designed to facilitate exchange by acting as a medium for it.

#### Activity 2

List out the commodities and services that you have purchased during the last week. Make a chart of their value in money. Prepare another chart of the same commodities and services based on prices of the previous year. Compare the two charts and write a report of a page on "Price Fluctuation and the Market". Compare your report with others at your study centre.

### 14.3.3.2 Network of Services

Two organised networks of services stand out significantly in the modern market economy. They are (1) Banks and (2) Advertising. Banks serve not only to provide capital to investors, but also as accounting and frequently as credit agencies for consumers. Bank cheques serve as an alternative to official currency in financial transactions. In its simplest form advertising entails a mere announcement of where specified goods and services are available usually with a stipulation of price. In competitive distributional systems, the producer, wholesaler, retailer and consumer are aided by advertising agencies. Such agencies in mass society appeal to any consumer interests or irrational motivation that will lead to a sale. For example, an advertising agency conducts a survey to find out certain information regarding parent child relationship. They discover that working parents suffer from guilt and feel that they should compensate their children for leaving them alone at home. They make an advertisement showing the parents bringing chocolate of their brand for the child. This way the sale of chocolates of a brand increases as more parents buy it as gift.

Modern industrial economy is integrated around at least three principles that are not normally found together in primitive economy. These are the economy - wide market, the materially self-gainful economising, that is, the constant attempt, to gain surplus, that motivates the people and the monetisation of both internal and external trade. On the other hand, other principles such as reciprocity and redistribution are important in the movement of goods and services in primitive societies.

In industrial economy, the technological processes of production are very complex, but the distribution process is relatively simple as it depends mainly upon the market principle. The reverse situation is found in the primitive economy where the technological processes of production are very complex in both the organisation and the principles involved. In the simplest societies the division of labour is based on age and sex. This means that the members of each family together control the total production of the whole society. Even in peasant societies it is common to find that most of the families in any given village are engaged in the same agricultural activities. Using the same tools and technological skills. Thus, simplicity in technology is not normally associated with or a cause of simplicity in exchange or distribution.

**Check Your Progress 2**

**Note:** a) Use the space below for your answers.

b) Check your answer with the one given at the end of this unit.

- 1) Define market exchange. Give at least two features of market exchange. Use about seven lines for your answer.

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- 2) What are the three principles around which modern industrial economy is integrated? Use about five lines.

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**14.4 LET US SUM UP**

The economic system of any society consists of the cultural knowledge people use to provide goods and services to meet biological and social wants. It defines human productive activity and the distribution and exchange of goods and services. Once goods are produced, they are dispersed by a system of distribution which consists of a set of strategies that apportion goods and services among the members of a group. Distribution is normally effected through economic exchange which represents the cultural rules for the transfer of goods and services among people. Exchange takes three basic forms: reciprocity, redistribution and market exchange. While reciprocal exchange indicated the transfer of goods or services between two people or groups based on role obligations, redistribution refers to the transfer of goods or services between a group of people and a central collecting source based on role obligation. Finally, market exchange refers to a transfer of goods or services based on price, supply and demand. Each mode embodies a particular system of rules that makes it different from the others, and each gives the transfer of goods and services special meaning. However, it is to be noted that all three modes of exchange systems exist together in many economic systems.

**14.5 FURTHER READINGS**

Majumdar, D.N. and Madan T.N., 1976: *An Introduction to Social Anthropology*, Asia Publishing House, Mumbai

Smelser N.T., 1965: *The Sociology of Economic Life*, Prentice Hall, New Delhi.

**14.6 KEY WORDS**

- Distribution** : The method by which goods and services reach the customer(s).
- Economic Organisation** : The system through which goods are produced, distributed and consumed.
- Network** : The interconnection of relationships, which are useful and reliable.
- Reciprocity** : To have a relationship in which giving of goods is accompanied by receiving other goods.

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## 14.7 MODEL ANSWERS TO CHECK YOUR PROGRESS

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### Check Your Progress 1

- 1) Reciprocal exchange refers to transfer of goods or services between two people or groups based on their role obligations. This exchange may or may not be directed by the desire for the material goods themselves as it is in the market. For example exchange of gifts between mother and son.
- 2) Redistribution system of exchange refers to the transfer of goods and services between a group of people and a central collecting source based on role obligation. Redistribution may be voluntary on the part of members of a society or it may be involuntary. It may be involuntary in the sense that collective centres may use agents to force the members to contribute goods and services to the authorities.

### Check Your Progress 2

- 1) Market exchange is the exchange of goods and services. According to the law of supply and demand some of its major features are that here goods and services are bought and sold at a money price which is determined by the impersonal forces of supply and demand. In this exchange people try to maximise profit by giving less resources for more goods and services.
- 2) Modern industrial economy is integrated around the three principle which are the economy-wide market, the materially self gainful profit oriented economising which motivates the people, and the monetisation of both internal and external trade.