Institute of Sciences, Humanities & Liberal Studies

Department of Languages

Topic: Barter System and Economic Cultural History

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What is Culture?

Culture is the ethnicity of tradition, rituals, religious sentiments combined with modernity transforming the way of lifestyle according to the changing times. India have various religious followers is a multi- cultural country.

Culture affects economic activity through the choices that people make about how to allocate scarce resources.

What is cultural economics?

Cultural economics is the branch of ***economics*** that studies the relation of ***culture*** to ***economic*** outcomes. Here, '***culture***' is defined by shared beliefs and preferences of respective groups. Programmatic issues include whether and how much ***culture*** matters as to ***economic*** outcomes and what its relation is to institutions.

Flirtation of Economics with Culture

Economics, once known as "the dismal science," has come a long way since its early days. The discipline, relying on its scientific formulas and precise metrics, has patented a storehouse of remedies for ailing economies. Yet it doesn't seem to know what to do with a concept as untidy as culture.

It wasn't always this way, though. Back in its earliest days, economics had plenty of room for the vagaries of human behavior. Adam Smith, sometimes regarded as the founder of modern economics, argued in his classic work *Wealth of the Nations* (written in 1776) that each individual, motivated by the pursuit of his own interests, contributes to the public interest in a system that is self-regulating. Smith was keen-sighted enough to recognize that the "pursuit of personal interests" involved much more than just making money. Hence, his tract, "Theory of Moral Sentiments", deals with what today we would call cultural values. John Stuart Mill, writing 70 years later, made the same point when he noted that cultural constraints on individuals could have a stronger impact on them than the pursuit of personal financial gain.

Max Weber, the German social scientist writing in the early 20th century, offered more specific insights into how cultural or even religious values could impact on economic output. He argued that the Protestant work ethic, supported by Reformation teachings that the pursuit of wealth was a duty, inculcated the virtues needed for maximum economic productivity. For this reason, Protestants were more productive than Catholics throughout Europe-just think of Germany and Great Britain, for instance, compared to Ireland, Spain, Portugal and Italy in his day.

In the meantime, the worldview of economists was radically changing. Economic progress was now a given, as the discipline shed its grim premise, first enunciated by Thomas Malthus in the 18th century, that population growth doomed people to a declining standard of living. Malthus believed that total wealth was a constant-there was only so much land and a strict limit to the resources it could produce, after all-and that most of the world's population would inevitably be reduced to fighting over the scraps from the table. The remarkable growth in the economies of the United States and many European countries during the 19th century, however, provided evidence that a different set of assumptions was needed. Economic theory was subsequently guided by a new insight: there was not simply a fixed amount of wealth, but an ever expanding economic pool to draw from. This meant, for one thing, that those nations that had little industrialization and whose people lived a largely subsistence life could join the more highly developed nations at the table. In theory, there would be plenty for everyone to eat.

After having offered hope to the underdeveloped that they could join the party, economics seems to have narrowed its field of vision since the 1930s and dedicated its energies largely to generating ever more sophisticated formulas relating to such things as markets, rents, income policies, price stability, and inflation control. It has also been busy refining its set of mathematical tools to test the theories that the discipline has been generating. Its principal interest has been in measuring the impact of different strategies on financial and economic crises so as to develop a dependable set of guidelines for predicting and managing these crises.

But as it has been doing all this, it appears that its interest in culture has been waning. Its presupposition seems to be that *Homo economics*, no matter where he happens to be dwelling, is subject to the same ineluctable laws of supply and demand, maximization of profit, and pricing. The apparatus it's devised to analyze and manage economic situations are self-contained and have little room for the vagaries of human behavior. Today, ironically enough, with the prophets of globalization proclaiming new hope for nations struggling to pull themselves out of poverty, economics has little to offer them on how this might be done. In short, the discipline's abandonment of its early fascination with culture has rendered it speechless to those who most need its help today.

Barter System

Barter is a **system** of **exchange** where goods or services are directly exchanged for other goods or services without using a **medium of exchange**, such as money. It is distinguishable from gift economies in many ways; one of them is that the reciprocal **exchange** is immediate and not delayed in time.

Disadvantages of Barter System

Despite its usefulness there are certain disadvantages of barter system which are outlined below

1. **Lack of Double Coincidence of Wants**

- For a successful transaction of goods, satisfaction of both the parties is must.
- It means that a person having some good and looking for its exchange with the other good must get that.
- For example a person has a piece of cloth and he wants to exchange it with wheat, first of all he will have to search for such a person who possesses it and secondly he is willing for exchange.
- This exercise usually takes a long time and consumes energy therefore this system did not succeed.

2. **Lack of Common Measure of Value**

- The second important drawback is the lack of common measure of value.
- If two persons come across each other to willingly exchange their goods, then what will be the common yardstick to measure the value of different goods for the purpose of exchange?
- For example if one person has meat and the other has fruit, then how would this exchange take place as both these goods are measured in different units. Furthermore for every new transaction the determination of value will be required afresh.