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## MAKING OF THE SOCIAL WORLD: A RETROSPECT

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### ABSTRACT

Human history has come a long way. Our modern world is knitted into a web of different social institutions that play an important role in our daily life. Sociologists have long been studying these social structures, but the economists have long ignored the social framework in which the ‘rational man’ strives to achieve and protect his self-interests. This paper analyses in retrospect the development of social structure from human civilization to the *homo economicus*. It also tries to highlight the role of community in socio-economic development.

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## INTRODUCTION

In sociological studies scholars have frequently been using terms such as ‘civilization’, ‘society’, ‘community’, ‘culture’, ‘neighbourhood’, ‘family’ and the similar (Bauman, 2001a: pp. 1) . These terms have meaning, depth of expression and their content. The following discussion tries to reflect upon these constituents of human society in their historical, sociological and economic perspective. The paper focuses upon the role of ‘civilization’ and ‘community’ in the historical evolution and development of society. It also examines some of the views related to the concept of *economic man*.

Mentioned organizational forms have, right from the beginning of the history of modern human being, played a dominant role in the making of the social world. Our social world revolves around the human beings, and different social organizational forms have emerged in the course of long human history. In the following pages let us have a glance in retrospect on all these social forms.

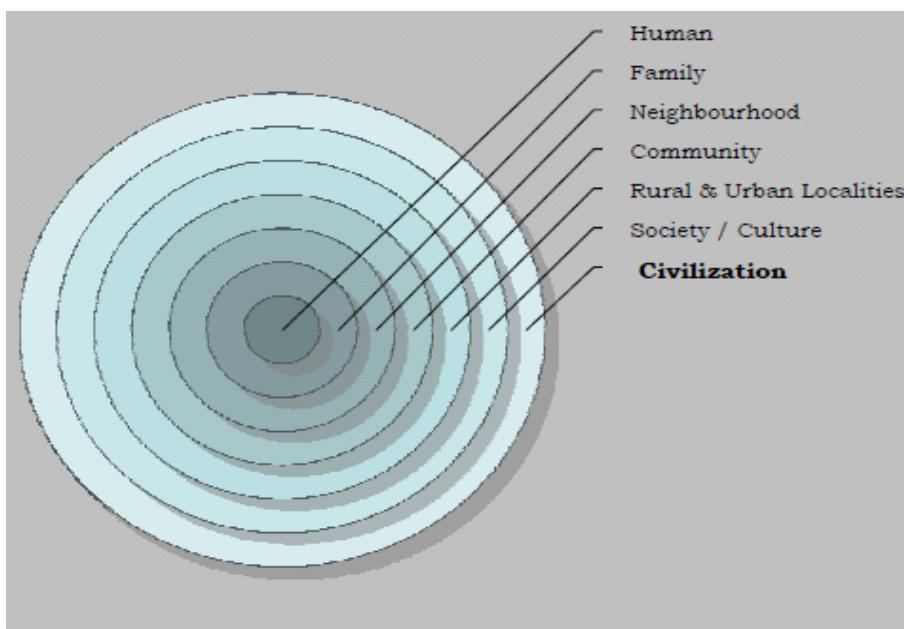


FIGURE 1. THE STRUCTURE OF THE SOCIAL WORLD

## CIVILIZATION

Let us begin with the history of development of human society. It is the history of communities and their development, of growth of intrinsic human desire to live together and socialize. The growth path of this process began from the institution of family and it has reached stage what we call a global society today. Every landscape bears the traces of a continuous and cumulative

labour, generation after generation contributing to this process until humanity itself has been transformed by what may be called 'the decisive shaping of self by self'.

Recorded history of *civilisation* provides definite proofs of this fact. To discuss civilisation is not only to discuss space, topography, vegetation, animal species, natural advantages etc. but also the human efforts agriculture, stock-breeding, food, shelter, clothing, communication, industry and the similar.

To take inherent advantages every civilisation is born of immediate opportunities rapidly exploited. Thus in the dawn of time, the river civilisations flourished in the Old World<sup>a</sup>. A similar group of civilisations developed in Northern Europe, around the Baltic and the North Sea. However, much of the West today is grouped together around the ocean as the Roman world of former times around the Mediterranean. These classic instances reveal above all the prime importance of communication as well as the human achievements in face of challenges and responses. Responses to natural challenges continually freed humanity from its environment and at the same time subjected to the resultant solutions (Toynbee, 1987).

Cultural traits of these civilisations spread through communication and imports as no cultural frontier is ever totally closed (e.g. casting process, the compass, gunpowder, the technique for tempering steel, a complete or fragmentary philosophical system, a cult or a religion). In the past cultural influences came in small bits, but today the spread speed is vertiginous. The industrial civilisation that originated in Europe became global in the 20th century.

Civilisation and society are two inseparable ideas. The concept of 'society' implies a wealth of content: its values, ideals, habits and tastes, its tensions and conflicts. If a society stirs and changes, the civilisation based on it stirs changes too. Every society, every civilisation depends on economic, technological, biological and demographic conditions. For long, people were humanity's sole resource for building a civilisation by sheer brawn and brain. Therefore, an increase in population helped the growth of civilisation. As the population grew faster than the economy (by the end of 16<sup>th</sup> century), the result was famines, decline of incomes, popular uprisings and grim periods of slump: until epidemics and starvation brutally thinned out the population. This vicious circle was broken by the industrial revolution.

Economic life never stops fluctuating, prosperity and slump being its regular features. Societies and civilisations feel its effects. Whether it is a slump or a boom, economic activity almost always produces a surplus. The spending of such surpluses has been one of the indispensable characteristics for luxury in civilisations giving birth to capitalism and wealth. But, luxury in the past was a privilege of the selected few in the society. From the point of the much maligned 19<sup>th</sup> century, the century of newly rich and the triumphant *bourgeoisie*, was the harbinger of a new destiny for civilisations and human personality. Development of education, access to culture, social progress had largely contributed in shaping the civilisation of today. These are of full significance for the future. The great problem of the future will be to create a mass civilisation of high quality, which is unthinkable without substantially large surpluses devoted to the well-being of the society.

Almost all civilisations are pervaded or submerged by religion. They draw from it the most powerful motives in their particular psychology. However, since the development of the Greek

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<sup>a</sup> e.g. Chinese civilisation along the Huang Ho, Indus Valley civilisation, Sumerians and Babylonians on the Euphrates and the Tigris; Egyptians on the Nile etc.

thought, the tendency of the Western civilisation has been towards rationalism and hence away from the religious life. Religion is the strongest feature of civilisation. In India, for instance, all actions derive their form and their justification from the religious life, not from reasoning. By comparison, the West seems forgetful of the Christian sources. But, rather than stress the break that rationalism has supposedly made between religion and culture, it is more to the point to consider the coexistence of laicism, science and religion and the serene or stormy dialogue in which, despite appearances, they have always been engaged. Christianity is an essential reality in Western life. Ethical rules, attitudes to life and death, the concept of work, the value of effort, may seem to have nothing to do with Christian feeling, yet all derive from it nevertheless.

No existing civilisation can be truly understood without understanding the path that it has followed the values it has cherished, and experiences it has undergone.

Civilisations continually borrow from their neighbours, even if they re-interpret and assimilate what they have adopted. Yet a civilisation may stubbornly reject a particular import from outside. Just as a civilisation may welcome or refuse elements from another civilisation so it may accept or reject survivals from its own past. It does so slowly, and almost always unconsciously or partly so. The process is so slow that contemporaries never notice it. Each time, the rejection – and the occasional acceptance of alternatives – takes centuries, with prohibitions, obstacles and healing processes which are often difficult and imperfect and always very prolonged. But, society gradually transforms itself.

A civilisation is neither a given economy nor a given society, but something that persists through a series of economies or societies, barely susceptible to gradual change.

## **SOCIETY**

Though scholars are sometimes inclined to call civilisation as *society*, we would, however, like to differentiate between the two. To us, civilisation seems a rather broader view of society. Human society, in general, is characterised by mutual relationships between individuals who share a distinctive culture and institutions governed by their own norms and values. More broadly, a society may be described as an economic, social, or industrial infrastructure.

Dictating a society's attitudes, guiding its choices, confirming its prejudices and directing its actions, is very much a fact of civilisation. A society's reactions to the events of the day, to the pressure upon it, to the decision it must face, are less a matter of logic or self-interest than the response to an unexpressed and often inexpressible compulsion arising from the collective unconscious. Basic values and psychological structures are the features that civilisation can least easily communicate one to another. Habits of mind survive the passage of time, change little or very slowly.

Based on subsistence means, social scientists have differentiated between hunter-gatherer societies, nomadic pastoral societies, horticulturalist or simple farming societies, and intensive agricultural societies. In twentieth century, industrial or post industrial societies are referred to be qualitatively different from the former (Lenski, 1974). Adam Smith (1776) considered that a

*'Society may subsist among different men, from a sense of its utility without any mutual love or affection, if only they refrain from doing injury to each other'.*

## CULTURE

In current usage, the term *culture*<sup>b</sup> is used to distinguish life in one group from that in another group. Shortly, culture is the large-scale context of a given society. The term first began to take its current usage by the Europeans in the 18th and 19th centuries. It acquires most of its later modern meanings in the writings of the 18th-century German thinkers, who on various levels developing Rousseau's criticism of modern liberalism and enlightenment made distinction between *culture* and civilisation. Two separate meanings of culture emerge from this period – culture as the people-spirit having a unique identity, and culture as cultivation of inwardness or free individuality. The first meaning is predominant in our current use of the term, although the second still plays a large role in what we think culture should achieve, namely the full *expression* of the unique of *authentic* self.

## COMMUNITY

*Community* serves as a link between the civilisation and individual/family. It is an organisational form on the social ladder and has its rules, values and ethics that play an important role in socio-economic development of *society* as a whole. Members of a community are individuals and their families that co-habit in neighbourhoods, cherishing some common goals in realisation of these they do behave rationally serving at the same time their own self-interest. Economics has always played a significant role in the development of every human civilisation in history, so it does in ours today. Ours is a global civilisation and the modern day economics is its part and parcel.

All civilisations have grown out of communities. Historically speaking, in between 2500-1750 BC different communities have lived in hutments and villages around the world. These communities slowly grew into towns and cities that later assumed statehood and became the so called city states and later some of them Empires, in ancient China, India, Mesopotamia, Sumer, Egypt, Canaan and Greece.

As far as notion of community is concerned, perhaps, the best illustration is provided by Aristotle in his *Politics* (1962). According to Aristotle, the family is the primitive community that exists for the sake of life for the supply of men's every day wants, and when, according to him, several families join together and something more than the mere supply of daily needs are aimed at, the village comes into existence. When, however, several villages are joined together to form a larger community it is *nearly or quite self-sufficing*, there comes into existence the State. The State comes into existence for the bare ends of life, but it continues in existence for the sake of good life. The State exists for an end, the same being the supreme good of man. As a community it differs from family and village not merely quantitatively but qualitatively and specifically. It is only

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<sup>b</sup> The etymology of the modern term *culture* has a classical origin. In English, the word *culture* is based on a term used by Cicero in his *Tusculan Disputations*, where he wrote of a cultivation of the soul or *cultura animi*, thereby using an agricultural metaphor to describe the development of a philosophical soul, which was understood teleologically as the one natural highest possible ideal for human development. Samuel Pufendorf took over this metaphor in a modern context, meaning something similar, but no longer assuming that philosophy is man's natural perfection. His use, and that of many writers after him 'refers to all the ways in which human beings overcome their original barbarism, and through artifice, become fully human'.

in the State that man can live the good life in any full sense, and since the good life is man's natural end, the State must be called a natural society<sup>c</sup>.

The Platonic-Aristotelian view of the State as exercising the positive function of serving the end of man, the leading of good life or the acquisition of happiness, and as being *natura prior* to the individual and the family has been of great influence in subsequent thought<sup>d</sup>.

Since the late 19<sup>th</sup> century, the use of the term community has remained to some extent associated with the hope and the wish of reviving once more the closer, warmer, more harmonious type of bonds between people vaguely attributed to past ages. There are a number of competing definitions of community. Some focus on community as a geographical area; some on a group of people living in a particular place; and others that look to community as an area of common life. Beyond this there are issues around the way 'community' appears in political discourse. While for some it might mean a little more than a glorified reworking of the market, for others, it may be a powerful organising ideal (Hoggett, 1997: pp. 5).

It will be useful to begin by noting that community can be approached as a value. As such it may well be used to bring together a number of elements: e.g. solidarity, commitment, mutuality and trust. Community can also be approached as a descriptive category or set of variables<sup>e</sup>.

Territorial or place community can be seen as where people have something in common, and this shared element is understood geographically. Another way of naming this is as 'locality'. In 'interest' or 'elective' communities people share a common characteristic other than place. They are linked together by factors such as religious belief, sexual orientation, occupation or ethnic origin. Development in what might be called the sociology of identity and selfhood have played an important role in 'opening out the conceptual space within which non-place forms of community can be understood' (Hoggett, op. cit. pp. 7). From communion point of view, we can approach this first as a sense of attachment to a place, group or idea or as a profound meeting or encounter – not just with other people, but also with God and creation. There is, of course, a strong possibility that these different ways of approaching community will also overlap in particular instances.

According to Cohen's work around belonging and attachment is a great help in this respect. He argues that communities are best approached as *communities of meaning*. In other words, *community* plays a crucial symbolic role in generating 'people's sense of belonging' (Crow and Allan, op. cit.). The reality of community, Cohen argues, lies in its members' perception of the vitality of its culture (a significant element of this is what Putnam calls *social capital*). Cohen argues that *community* involves two related suggestions that the members of a group have something in common with each other; and the thing held in common distinguishes them in a significant way from the members of other possible groups (Cohen 1985: 12). Community, thus,

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<sup>c</sup> His horizon was more or less bounded by the confines of the Greek City-States, and he had little idea of nations and empires (in spite of his contacts with Alexander the Great); but all the same his mind penetrated to the essence and function of the state better than laissez faire theorists of the British School. Accordingly, to him, "The State is a creature of nature, and that man is by nature a political animal," and "He who is unable to live in society, or who has no need because he is sufficient for himself, must be either a beast or a god".

<sup>d</sup> Among the Christian medieval thinkers it was naturally tampered by the importance they rightly attached to individual and family and, by the fact that they accepted another *perfect society*, the Church whose end is higher than that of the State.

<sup>e</sup> For further discussion on this point see Frazer (1999).

implies both similarity and difference. It is a relational idea: 'the opposition of one community to others or to other social entities'. This leads us to the question of boundary – what marks the beginning and end of a community?

Cohen's argument is that boundaries may be marked on a map, or in law, or by physical features. Some may be religious or linguistic. However, not all boundaries are so obvious. As such they may be seen in very different ways, not only by people on either side, but also by people on the same side. An obvious example of this is the sorts of ritual people connect with in terms of religious observance, for example, the rites of worship, the objects and actions involved.

Another way of looking at community is that people live close to one another does not necessarily mean that they have much to do with each other. There may be little interaction between neighbours. It is the nature of the relationships between people and the social networks of which they are a part that is often seen as one of the more significant aspects of 'community'.

When people are asked about what 'community' means to them, they would perhaps respond by saying that 'for most of us, our deepest sense of belonging is to our most intimate social networks, especially family and friends'. Beyond that perimeter lie work, church, neighbourhood, civic life, and an assortment of other *weak ties* (Putnam, 2000: pp. 274). As well as helping us to build a sense of self and individuality, such informal relationships 'also enable us to navigate our way around the demands and contingencies of everyday living'. (Allan, 1996).

The nature of the networks within in particular place or grouping is, thus, of fundamental importance when making judgments about communities – and the extent to which people can flourish within them. Humans are social beings. Connection and interaction both widen and deepen what we can achieve, and makes possible our individual character.

There are strong forces working against the formation and existence of local social systems. The various forces linked to globalisation have led to significant shifts in the locus of power, local and national governments have become increasingly market-driven. Not only that government can no longer *manage* their national economies, but in order to hold to power they must increasingly manoeuvre national politics in such ways as to adapt them to the pressures of global market forces. This has resulted in a growing centralisation in key areas of policymaking in many countries and an ever increasing presence of commercial entities in local services with the obvious consequence of an erosion of democracy and the notion of public goods.

The socio-economic impact of this movement is that people have been reduced to consumers of services and an associated move towards individualisation from more collective concerns. In this situation, as Bauman (2001b: pp. 3) has commented,

*"We may well look longingly at the notion of community - it is the 'kind of world which is not, regrettably, available to us – but which we would dearly love to inhabit and which we hope to repossess".*

However, in a world where market ideologies have become dominant and infused all areas of life, we have increasingly lost a sense of working together to make change.

Whether people are disposed to engage with one another is dependent upon the norms of a particular society or community. To judge the quality of life within a particular community we, need to explore what shared expectations there are about the way people should behave – and whether different individuals take these on. Three linked qualities appear with some regularity in discussions of communal life: tolerance, reciprocity and trust.

In modern context, community is less an attribute of some functions or interests and an integral whole which is organic in structure, limited in size, concrete in context, substantive in syntax. One can not therefore glibly talk of community development as a political slogan because

it involves development of not merely material but moral, ethical, intellectual and psychological. (Baker, 1986: pp. 126).

After the fall of the Roman Empire, cities and towns were consisted of a very different order of people from the first inhabitants of the ancient republics of Greece and Italy. The latter were composed mainly of the proprietors of lands, among whom the public territory was originally divided, and who found it convenient to build their houses in the neighbourhood of one another, and to surround them with a wall for the sake of common defence. After the fall of the Empire, on the contrary, the land owners seem generally to have lived in fortified castles on their own estates, and in the midst of their own tenants and dependants. The towns were chiefly inhabited by traders and mechanics that seem in those days to have been servile condition. The privileges which we find granted by ancient charters to the inhabitants of some of the principal towns in Europe sufficiently show what they were before those grants.

But how servile so ever may have been originally the condition of the inhabitants of the towns, it appears evident that they arrived at liberty and independency much earlier than the occupiers of land in the country.

In countries such as Italy and Switzerland, the sovereign came to lose the whole of his authority, the cities generally became independent and conquered all the nobility in their neighbourhood; obliging them to pull down their castles in the countryside, and to live, like other inhabitants, in the city. It is from this period, according to French antiquarians, that we are to date the existence of institution like the magistrates and council of cities in France<sup>f</sup>. The Italian republic-cities, between the 12<sup>th</sup> and 16<sup>th</sup> century, arose and perished. In countries such as France and England, where the authority of the sovereign, though frequently low, never was destroyed all together, the cities had no opportunity of becoming entirely independent. They became however so considerable that the sovereign called upon them to send their representatives to the councils of kingdom.

Order and good government, and along with them the liberty and security of individuals, were, in this manner, established in cities at a time when the occupiers of land in the country were exposed to every sort of violence. On the contrary, when they are secure of enjoying the fruits of their industry, they naturally exert it to better their condition. The trading cities of Italy (Venice, Genoa, and Pisa) seem to have been the first in Europe which were raised by commerce to a considerable degree of opulence. The inhabitants of trading cities, by importing the improved manufactures and luxuries of richer countries, afforded some food to the vanity of great proprietors, who eagerly purchased them with great quantities of the rude produce of their own lands.

In modern times, in western societies, especially in the US, the term 'community development' is used to denote activities of the people living in local groups or communities wherein they gather together over some common specialised interests through which they find

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<sup>f</sup> David Hume in his *The History of England*, (1778, ii.118 in Liberty Fund, Indianapolis 1983) quotes from Brady's history, 'The Kings of France erected these communities to check the Insolencies of their great vassals, and to protect them from their over-grown dominion and *extravagant* power over them, that they reputed such cities and towns their own, where therewere such communities; and truly, for that the inhabitants were in a manner *freed* from the *dominion* of their Lord therby, and became immidiately *subject* to their Kings'. David Hume, however, adds that erecting of these communities was an invention of Lewis the Gross, in order to free the people from slavery under the lords, and to give them protection, by means of certain privileges and separate jurisdiction.



democratic expression for their energy and inspiration. In the developing world the expression of the concept has grown beyond the borders of common specialised interests and is taken to mean the bringing out of the potentialities of a body of men living in the same locality from a latent to an active state.

Community building or organising community based assets for to tackle the common problems has given birth to the idea of community development programmes launched in rural areas of countries in SE Asia and Africa.

Some modern authors believe that in community development *reciprocity, intimacy and unanimity* are central. It is in the nature of the community development that it must come from within with in through the greatest possible participation of the people rather than compulsion and mediation with the needs of the region, nation and world (Roupp, 1953: pp. 20). The aim of community development is to develop relationship between groups and individuals that will enable them to act together in creating and maintaining facilities and agencies through which they may realise their highest values in the common welfare of all members of the community. The emphasis here is upon the fact that main objectives of such activities are to (a) obtain consciousness of community identity, (b) meet unmet wants, (c) obtain social participation as a means of specialisation, (d) gain social control, (e) coordinate groups and activities, (f) preserve the community from undesirable influences, (g) cooperate with the communities and agencies to attain common ends, (h) establish means of obtaining consensus, and (i) develop local leadership (Sanderson and Polson, 1950: pp. 50, 76).

**Historically, human communities have relied on two principles – social stickiness and household economics. In every day economic life of every human being the basic driving force has always been his/family/s wellbeing or self-interest. This very fact led to the formulation by Adam Smith of a fundamental economic thesis that, economic man or *homo economicus*, being as *rational* and narrowly *self-interested* actor who has the ability to make judgments toward his subjectively defined ends<sup>8</sup>.**

Although the term did not come into use until the 19th century (as it was first used by the critics of Mill's work (1848) on political economy), it is often associated with the ideas of Adam Smith and David Ricardo. From *The Wealth of Nations* (1776) Smith's famous quote reflect upon it,

*"It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest."*

This suggests the same sort of rational, self-interested, labour-averse individual that later Mill proposed (although Smith in his *Theory of Moral Sentiments* did claim that individuals have sympathy for the well-being of others). J. S. Mill (1836), borrowing the idea from Adam Smith, writes:

*"[Political economy] does not treat the whole of man's nature as modified by the social state, nor of the whole conduct of man in society. It is concerned with him solely as a being who desires to possess wealth, and who is capable of judging the comparative efficacy of means for obtaining that end." He goes on to write that he is proposing "an*

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<sup>8</sup> Note that this view point stands in contrast to his own views, which states that human beings are primarily motivated by the desire to be cooperative and to improve their environment.

*arbitrary definition of man, as a being who inevitably does that by which he may obtain the greatest amount of necessities, conveniences, and luxuries, with the smallest quantity of labour and physical self-denial with which they can be obtained."*

However, let us not forget that Aristotle, much before Smith, in his *Politics* discussed the nature of self-interest by mentioning:

*"Again, how immeasurably greater is the pleasure, when a man feels a thing to be his own; for surely the love of self is a feeling implanted by nature and not given in vain, although selfishness is rightly censured; this, however, is not the mere love of self, but the love of self in excess, like the miser's love of money; for all, or almost all, men love money and other such objects in a measure. And further, there is the greatest pleasure in doing a kindness or service to friends or guests or companions, which can only be rendered when a man has private property". (Aristotle (1962), *The Politics*, Book II, Part V).*

A wave of economists in the late 19th century – F. Edgeworth, W. S. Jevons, L. Walras, and V. Pareto – built mathematical models on these assumptions. In the 20th century, L. Robbins' theory of rational choice that came to dominate mainstream economics and the term *Economic Man* took on a more specific meaning of a person who acted rationally on complete knowledge out of self-interest and the desire for wealth.

## NEIGHBOURHOOD

Contemporary sociology, among others deals with issues of urbanisation. As social life, over centuries, has undergone dramatic changes the inflow of new negatively perceived socio-economic problems such as inequalities, extreme poverty, social injustice, infringement of basic human rights, street crimes, slums, pollution etc. have broken the threads of traditional principle of community cohesion. Human sociality that originated in rural communities, with increased industrialisation, urbanisation and speedy economic development, has withered away. In this context, we must emphasise the significance of Wirth's thought (1938, 44, 1:1-24) highlighting the size, density of population and cultural characteristics of city life stresses the need to visualise a city as *social structure*. Wirth's implications of urban life are close to the idea of Toennies (1957) idea of *Gesellschaft*.

*Neighbourhoods* (localities) are constituent parts of a community. Generally speaking, a neighbourhood is a geographically localised community within a larger inhabited area. Researchers have not agreed on an exact definition. Neighbourhood is generally defined spatially as a specific geographic area and functionally as a set of social networks. Neighbourhoods, then, are the spatial units in which face-to-face social interactions occur – the personal settings and situations where residents seek to realise common values, socialise youth, and maintain effective social control. It is a geographically localised community within a larger inhabited area.

American philosopher Lewis Mumford (1968) defines,

*"Neighbourhoods, in some primitive, inchoate fashion exist wherever human beings congregate, in permanent family dwellings; and many of the functions of the city tend to be distributed naturally—that is, without any theoretical preoccupation or political direction—into neighbourhoods".*

Most of the earliest cities around the world have evidence for the presence of social neighbourhoods.

Neighbourhoods are typically generated by social interaction among people living near one another. In this sense they are local social units larger than households not directly under the control of city or state officials. In some pre-industrial urban traditions, basic municipal functions such as protection, social regulation of births and marriages, cleaning and upkeep are handled informally by neighbourhoods and not by urban governments. In addition to social neighbourhoods, most ancient and historical cities also had administrative districts used by officials for taxation, record-keeping, and social control.

One factor contributing to neighbourhood distinctiveness and social cohesion in past cities was the role of rural to urban migration. This was a continual process in pre-industrial cities, and migrants tended to move in with relatives and acquaintances from their rural past.

Neighbourhoods are universal, convenient, and always accessible, requires little specialised technical skill, and material costs are often low. Results are more likely to be visible and swift that is indicator of the success. Neighbourhood action usually involves others thus create or strengthen connections and relationships with other neighbours. But in addition to these benefits, considerable research indicates that strong and cohesive neighbourhoods and communities can serve as a buffer against various forms of adversity.

Two basic tenets of functioning of the community and neighbourhood are: cohesion and community action. Community's capacity to recognise its own problems and ability to mobilise itself to solve them requires commitment to collective action, resources, knowledge and skills. Community action is the key of community economic development which implies neighbourhood (locality) development, social policy and caring deprived or backward social groups (Mondros and Wilson, 1994). Social welfare schemes are seen as a mode of community organising and economic development.

## **FAMILY & HOUSEHOLD**

A *family* can be defined as a group of people affiliated by consanguinity, affinity, or co-residence. One of the primary functions of the families is to produce and reproduce people, biologically and socially. However, producing children is not the only function of the family it is necessary for the formation of an economically productive household. Since ancient times, the *household* (Greek term *oikos*) has been considered as the basic unit in which economic production, consumption, inheritance, child rearing and shelter are organised and carried out. In modern economics, the household is the basic unit of analysis in many social, micro- and macro- economic models. Though most economic models do not address whether the members of a household are a family in the traditional sense, yet government and policy discussions often treat the terms *household* and *family* as synonymous. The household's existence strategy is basically based on the idea of division of labour between the members of a household. It is the deployment of their time between employment (including home-based self-employment), domestic production work (e.g. vegetable gardening, handicrafts etc) and domestic consumption work to provide goods and services directly within the household, (e.g. cooking, child-care etc). Household work strategies may vary over the life-cycle, or with the economic environment.

## THE ECONOMIC MAN

The *economic man* or *homo economicus*<sup>h</sup> is seen as *rational* in the sense that well-being as defined by the utility function is optimised given perceived opportunities. That is, the individual seeks to attain very specific and predetermined goals to the greatest extent with the least possible cost. Only naïve applications of the *Homo economicus* model assume that this hypothetical individual knows what is best for his long-term physical and mental health and can be relied upon to always make the right decision for himself.<sup>i</sup>

**Amartya Sen (1977) has argued there are “grave pitfalls in assuming that rationality is limited to selfish rationality”. He believes that Economics should build into its assumptions the notion that people can give credible commitments to a course of conduct. He demonstrates the absurdity with the narrowness of the assumptions by some economists with the following example of two strangers meeting on a street.**

*Homo economicus* rests his choices on a consideration of his own personal *utility function*. Consequently, the *homo economicus* assumptions have been criticised not only by economists on the basis of logical arguments, but also on empirical grounds by cross-cultural comparison. Economic anthropologists<sup>j</sup> who have demonstrated that in traditional societies, choices people make regarding production and exchange of goods follow patterns of reciprocity which differ sharply from what the *homo economicus* model postulates. Such systems have been termed barter economy rather than market economy. Criticisms of the *homo economicus* model put forward from the standpoint of ethics usually refer to this traditional ethic of kinship-based reciprocity that held together traditional societies.

Economists like T. Veblen, J. M. Keynes, H. Simon and many others (belonging to the Austrian School) criticise *homo economicus* as an actor with too great of an understanding of macroeconomics and economic forecasting in his decision making. They stress uncertainty and bounded rationality in the making of economic decisions, rather than relying on the rational man who is fully informed of all circumstances impinging on his decisions. They argue that perfect knowledge never exists, which means that all economic activity implies risk.

Further research on this subject is being done in the fast growing field of experimental or behavioural economics. It, however, shows deviations from the traditionally-defined economic rationality. Some of the broader issues involved in this criticism are studied in *Decision Theory* of which the *Rational Choice Theory* is only a subset. Other critics of the *homo economicus* model of humanity point to the excessive emphasis on *intrinsic motivation* (rewards and punishments from the social environment) as opposed to *intrinsic motivation*. For example, it is difficult if not impossible to understand how *homo economicus* would be a hero in war or would get inherent pleasure from craftsmanship. They argue that too much emphasis on rewards and punishments can *crowd out* intrinsic motivation.

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<sup>h</sup> The use of the Latin form *homo economicus* is certainly long established. Joseph Persky in his (1995), ‘Retrospectives: The Ethology of *homo economicus*’, *The Journal of Economic Perspectives*, 9, 2: 221-231 traces it back to Pareto’s (1906), *Manual of Political Economy*. But notes that it may even be older.

<sup>i</sup> As in social science in general, these assumptions are at best approximations. The term is often used derogatorily in academic literature, perhaps most commonly by sociologists, many of whom tend to prefer structural explanations to ones based on rational action by individuals.

<sup>j</sup> See for example works of Marshall Sahlins, (1972), *Stone Age Economics* (London: Routledge); Karl Polanyi, (1944), *The Great Transformation*, (London: Beacon Press 2001); Marcel Mauss, (1924), *The Form and Reason for Exchange in Archaic Societies* (London: Routledge).

Another weakness is highlighted by sociologists, who argue that *homo economicus* ignores the origins of tastes and the parameters of the utility function by social influences, training, education, and the like. Such conflicts may lead to *irrational* behaviour involving inconsistencies and can occur as a result of habit, laziness, mimicry and simple obedience.

Economists tend to disagree with these critiques. *Free riders*, for example, would have a major negative impact on the provision of *public goods*. However, economists' supply and demand predictions might obtain even if only a significant minority of market participants act like *homo economicus*. Yet others argue that *homo economicus* is a reasonable approximation for behaviour within market institutions, since the individualised nature of human action in such social settings encourages individualistic behaviour. Not only do market settings encourage the application of a simple cost/benefit calculus by individuals, but they reward and thus attract the more individualistic people. It can be difficult to apply social values (as opposed to following self-interest) in an extremely competitive market; a company that refuses to pollute (for example) may find itself bankrupt.

The more sophisticated economists are quite conscious of the empirical limitations of the *homo economicus* model. In theory, the views of the critics can be combined with the *homo economicus* model to attain a more accurate model.

## CONCLUSION

As is evident from the above discussion, the organizational structure of our world is knitted with historical, social, cultural, political and economic threads. It is unfortunate that scholars, except a few, have often looked at it from a narrow aspect depending upon their own professional interest and expertise. A multidisciplinary approach has always lacked. In context of our 21<sup>st</sup> century world, where the human relations have become much more complex in view of the current state of development of human society, a fresh approach is badly needed. Scholars and scientists must reconsider the position of human beings in context with new technologies, science, global economics, social relations and future prospects.

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## STVARANJE DRUŠTVENOGA SVIJETA: RETROSPEKTIVA

Ljudska povijest je prešla je dalek put. Naš moderni svijet isprepleten je mrežom različitih društvenih institucija koje imaju važnu ulogu u našem svakodnevnom životu. Sociolozi odavno proučavaju ove društvene strukture, ali ekonomisti su dugo ignorirali društveni okvir u kojemu 'racionalan čovjek' nastoji ostvariti i zaštititi svoje osobne interese. U radu se, u retrospektivi, analizira razvoj društvenih struktura od ljudske civilizacije do *homo economicusa*. Također se pokušava istaknuti uloga zajednice u društveno-ekonomskome razvoju.

**Ključne riječi:** Adam Smith, civilizacija, homo oeconomicus, susjedstvo, društvo