

WEEKEND NOTES II - ROTSTEIN

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NOTES OF WEEKEND II WITH

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Parsons

Parson's new book doesn't distinguish between the formal and substantive. <sup>meaning of 'economic'</sup> Parsons doesn't think you can accept the economy without scarcity. He recently confided this to a student of his, Murray Polakoff.

We say that you can't have two postulates - scarcity and livelihood, for they are two different positions, e.g. eating spinach and the manner you can get more rational organization, are utterly different. Without separating them you can't clarify the thing.

Parsons' new book looks like it is boosting economic analysis into general sociology, and will elate the economists.

Parsons' scarcity and rational process is the compound meaning. We accept the compound meaning but in a particular situation we choose the meaning which is more useful. The two meanings have nothing in common. We have no quarrel with the compound concept but we want to be clear. The question of when scarcity arises is a sociological problem. If the economy is organized through scarcity, of course scarcity is everywhere. But scarcity may be quite unimportant, and the material side important.

(Following Pearson's essay on Parsons' book:) Interest in non-market economy is important for primitive economies and also when the market doesn't work, (associating primitive economics

with depression). Interest in savage society comes from the fact that the market doesn't work well. This is the power of the whole conception. Parsons starts at one end with the market and we at the other end with non-market economies.

Parsons thought that the general principles of society ought to be applicable to the economy. Also economic theory can be expanded to represent the whole of sociology. Both ideas are bad. The only thing we can study comparatively and developmentally is the sociology of economic institutions. Parsons is pretty confused. (At a certain point in his essay on Parsons Pearson says, decide which meaning you want).

What Parsons is locating is rationality's place, which Weber was after. To locate the place of rationality is utterly different from locating the way man's process of livelihood operates. Both methods come into the market. Parsons can't drop rationality and economic scarcity which are the same thing.

Weber held that civilization was increasingly "Zweckrationale", e.g. in the army, in the bureaucracy and to top it all, in the economy. Weber was after a historical problem not a theoretical one.

Economics is not necessarily a special case, or sub-system of sociology as Parsons holds. Why should price problems be treated by sociology? The theory of society and the theory of a



sub-system called economy might be in conflict, or one might be an adjunct of the other. Distrust any kind of a priori assumption. Parsons starts with two separate disciplines and then goes on to investigate their relationship. We go to empirical work, actual trade etc. Hopkins accepts this. The Germans often posed a polarity in their concepts.

That you are always in scarcity is the result of the market. Weber's rationality was also instituted in the bureaucracy, in the army and in science. Market rationality was the highest form of rationality but it was not identical with rationality.

The institutionalists said you can't find the economy, so bring in all of society. Parsons disagrees: "I won't give up". But there is a lack of precision in what he is looking for. The adaptive system is especially represented in the economic system.

There is no distinct economy to start with. An economic system has political functions and these maintain ethical and moral values. There are no purely economic phenomena. We produce a substantive definition of the economy at our risk. It is not a neat nor an easy definition.

With Parsons we have first the instituting of values, and then the internalization of values and the building of personality and socialization. This occurs through the formation of roles which are directed to these values and their achievement.

If there was a perfect correlation between the way the values are instituted as roles in society and personalities who fill the roles, then every personality would find the right role and every role would be filled by the appropriate personality. Then the theory would explain how nothing happens, but not how anything happens.

If tension arises then it comes by the imperfect personalization of the role to correspond to the functions defined by its meaning. There are many reasons for this in the individual, in the role, and in the setting. Then you can open up sociology: either the personnel or the roles are incomplete and inadequate, and either the person or the role changes. All this happens through institutions.

Parsons thought this up and opens up variations which may mirror the history of human society. "Personality Structure" and "Mutual Role Expectations" replace "Personal Relationships". Mutual Role Expectations link it with concrete society.

The conception of man underlying Parsons' work may be vague, but Polanyi doesn't think it really excludes the Christian position. Mutual Role Expectations sounds Christian. It implicitly assumes mutuality of contract between individuals. This is very important. There is a definite insistence that you can't understand society as consisting of blind atoms - a causal concussional system. 'Mutual' implies the other is watching me. Like George S. Meade's 'situation'. He thought it



possible to continue unit role expectations operationally defined without assuming consciousness. The point was to construct a strictly behaviouristic interpretation of man which would comprise unit role expectations.

### The Reality of Society

My essay (April 30/56) has linked the concept of the Reality of Society with the new institutional theory. P. used the concept only metaphysically. I used it naturally in a sociology which is not atomistic.

P. adds the following to my presentation: the Reality of Society is spelled out by the inevitable alternatives which we meet in life. You cannot avoid the choice - it is there whether you like it or not. The inevitable alternatives are related to situations in which you choose a role.

If you bring in Parsonian sociology, then you get the individual choosing roles and uniting roles. He doesn't create roles, but he chooses. He may be a priest and a soldier. He may combine roles or reject combining them. But he can't choose non-existing things.

Bringing in the Reality of Society as a scientific concept, makes the inevitability of choices much more concrete.

Roles have ethical connotations and we can thus bring in ethics. If a certain role does not exist in society, we change

society by discovering a new role. This brings us near a new content to the Reality of Society as a moral concept - the instituting of the economy is the moralizing of it. It depends on which institution does the job. The individual's choice is thus concretized and moralized.

Roles alone don't make institutions. You need the idea or purpose of e.g. a hospital. You can't simply relate roles to give a hospital. (The new Sociology has much to say on these matters and we don't know yet how much is said.)

It is through institutions in which the economy is embedded and embodied that purposes are entered. Institutions carry purposes in the use of resources and in the valuation of efforts.

The corporation embodies the economic process. Institutions embody the economic process and it may be embedded in them. e.g. roadbuilding by the government - the purposes of the government will be reflected in the way roads are built. That would make the instituting of the economy an active and conscious process and a responsible way to relate the economic process to life.

Of importance is the relatedness of the reality of society to institutional change and the meaning we attach to change. The reality of society has important ethical connotations and the inevitability of acceptance of the Reality of Society is an act



of resignation. How is this permissible and moral?

Owen said that we will have to humanize society to its extreme limits of being just and humane, and only when this has been attempted can we resign ourselves to the limits which then become apparent. P. found this in a clause of Owen's theological discussions with Campbell (fat volume) but Owen never notices that he had made this point and it was the crucial point. The mature man realizes the limitations of society but these have no moral relevance until he has tried to fill the frame in.

Bernard Shaw is the only thinker who thought of it in this way, that society was limited in the possibility of its ideals but he never drew the conclusion to leave things as they are - on the contrary. P. is more conservative than Shaw and living 50 years later. Shaw differs from P. in being an anti-democrat who despises and hates the idea of democracy. A Fabian imagines there is no point at all in having confidence in the common people, or in the reliance on the sanity of the common man in an emergency to do the right thing. P. is fundamentally democratic in his inner attitude, but on the reality of society he entirely agrees with Shaw and learned much from him.

Shaw: if you give the devil a free hand he will have to rebuild society - we only imagine he will destroy it. (If we let him write a marriage contract he will do the same as he was criticizing - The Devil's Disciple). This is a medieval atomistic

idea based on the working of our mind. Shaw regarded basic moral categories as real not conventional and P. holds the same position. Thus Shaw was the greatest thinker of our time. It is nonsense to make fun of saints because there are saints - only they don't act like we think they do.

Androcles assures the Emperor - don't run, he is only playing, if you run.....

(Concerning my essay on Reality of Society): P. thinks the essay is a good summary and endorses my 'heritage of freedom' position that freedom would be carried over and was not just a freak culture tray.

Include idea of extension of habeas corpus act. The Marxist idea that the courts are a sham was true in the 19th century, if a certain class was dominant, but is not true in America, on issues on which public opinion is set.

In America, not the fear of starvation but the <sup>fear of</sup> maintenance of standards activates the working class.

Culture is a boundary process transmitting <sup>unalterable</sup> nature's pressure and protecting the individual's life from determinism and mechanism. This establishes the realm of freedom.

One realm of freedom is the independence from nature's pressure, and the other from society's pressure. Man couldn't survive unless he accepted some dependence in his adjustment to natural conditions. He wants to depend because he wants to adjust - he has these needs. This puts freedom in the center.

One definition of rationality refers to the survival of the group. But man is also irrational. For example, if the country  
i.e. he follows the logic of his own survival.



is attacked, there is only one thing that is rational for society as a whole, but for the individual, he may be fed up with life and defending the country may be an outlet for him. - Or other silly explanations are possible for his actions. This is the process of irrationalization and was ignored by Freud. Man's motivation might be his egotistic weakness. We define his behaviour as rational as a member of society. Rational means behaviour with reference to society as a whole.

There are thus two rationales, the survival of society, and that of the individual, and here you have the general

problem of political theory. *Society consists of individuals. The conditions of their survival are different. How then is it possible that society survives through the actions of the individuals who compose it?*

It is a fact that society survives. There must then be a real answer to the problem of freedom. Where does it come from? It is very peculiar. *the individuals*

*(leleutheria)*  
With the old Greeks freedom meant not being a slave, being pretty well off, educated, and behaving in a liberal way. It was the opposite of being mean.

In Paul: What does he mean when he brings in the idea of Christian freedom? It has something to do with the opposite, *with* of death and sin. It is a metaphor of emancipation. The slave, *when freed* ceases to be a slave. Man who was enslaved to his body is now free because he is liberated. Freedom is a metaphor taken from emancipation of the slave. It is a metaphysical experience.

In Westermann: Description of emancipation through  
<sup>Delphic</sup> the Delian temple - Paraxonal.

The Christian idea of society is that it is a relationship of persons. The revelation of the reality of society impinges on Christian freedom. It takes away the immediate topicality of the second revelation. (The latter was in about 1935, the reality of society about 1942.)

In the Essence of Fascism Polanyi didn't have the position he reached later. He was strongly influenced by MacKurray's Personalism - the individual in the community is real, the isolated individual doesn't exist. <sup>Personalism</sup> This is not really individualistic, but from the point of view of sociology it is.

In 1936 P. was under a strong religious influence in viewing the reality of society. P. had presented such an idea to his English friends in Vienna in the late '20's, so that it wasn't new. The ideal was of a community of persons which was instituted. Then there was society which broke up this ideal. The idea was to achieve a community of persons - which was naive. It took a complex society to reveal the concept of inevitable alternatives.

The "individual-in-community" concept protects one from slipping into an atomistic conception. The Christian conception is that the individual doesn't exist outside the community. He exists through others in the community. No one is alone, because then the concept of life would disappear.



There is nothing of this penetration in the Jewish position. There the people as a whole exists in relation to God. In the Christian position the individual has his being in and through the other. It is not the same as loving one's neighbour as oneself. Loving is not clear unless it means selflessness. It is a philosophic idea, *not an emotion.*

Events are conceivable in 3 ways:

- 1.) Mechanical causation
- 2.) Organic growth
- 3.) What happens to persons as persons, i.e.  
between you and me there is something which  
has no meaning in mechanisms or biology.

Reciprocity exists between persons as persons. This was developed in a peculiar operational way by George S. Mead. How can it come about that you exist as a self to me? MacMurray didn't take up the operational aspect but had an intuitive insight into this position. It is peculiar because it leaves to God one characteristic - that there is a person he can address himself to. "Related" doesn't mean love or sympathy, or the relatedness of objects.

To accept the fact of our being persons is the deepest we can get to ultimate reality. The idea of another person is implied in oneself. The self to which you talk is not the same as the one talking. *This constitutes the relationship  
us as persons.*

The deepest meaning is that we regard the world as meaningful, and this is only by personal events having a meaning. Nothing in nature is meaningful. Meaning is the medium in which persons meet. All personal faith consists in knowledge that things have a meaning.

This is what John's epistle says. John starts, In the beginning there was  $\neq$  "logos". The Dead Sea Scrolls are along John the Evangelist line. This was a Jewish line of thought, not the Synoptics. The sentences are similar to the Essenes. Tolstoy regarded John as the essence of Christian teachings. (See book by Tolstoy on the reconstruction of John). The Synoptics are the rest of the teachings. The nearest translation of "logos" is meaning. cf. John: "In the beginning was the Word" (logos) - the meaning of things. (Without meaning there would be no persons). "The light shineth in darkness: and the darkness comprehended it not". (i.e. did not encompass it). The first five sentences sum up what must have been the Essene creed. "The light shineth in darkness is not like the Zoroastrian creed of light and dark. Life was like light. The more life the more light. Life equals light equals meaning. These are metaphors for the happy being of inner life. Darkness is passive and doesn't put out or take in light. It is not a matter of belief or faith-meaning is reality. It is what consciousness means. Meaning means getting it and passing it on. No principle can create <sup>for us</sup> meaning because that principle itself must have a meaning.



Modern positivism also argues that meaning has a  
meaning. <sup>But</sup> ~~Positivism attempts to say something which cannot~~ <sup>limits the meaning to that which may be</sup>  
~~be right or wrong.~~ <sup>proved untrue</sup> This is impossible. Meaning is conveyed <sup>also</sup>  
by gestures, sighs, which can't be disproved as they are an  
expression of man's being at the moment.

This third level of events has an entirely different  
logic. It is different from <sup>either causation or</sup> growth. (Idea is from John  
Mack Murray).

Marx in 1845 - discussing Feurbach's thesis - regarded  
society as distinctively human. All the time, he means  
"personal" and regards the impersonal as inhuman.

(P. thinks animals have a personal level - they talk,  
are attached to one another, and perish if they are separated.)  
*It is their ruling passion.*

The Messianic aspect in Jewry was not in the Prophets.  
It existed in strong movements in the third and second century  
B.C. revealed by the Dead Sea Scrolls. A messianic leader in  
the past lost his life like Jesus. But in the turn which  
things take in Jesus, it is doubtful that anything of the kind  
was present before. <sup>believed was</sup> The Essenes were eschatological, otherwise  
the banning of women was not possible.

Christianity reached a low again and again but had the  
power of retrieving itself - St. Augustine, the Monastics, the  
Benedictines, Cluniac, <sup>the Friars</sup> Reformation, Counter-Reformation, then

the various secular movements that came with the Enlightenment.

In America, Protestantism created novel movements in Western christianity of the pioneer type from the 18th century on - Benjamin Franklin(?), the Mormons, Shakers, Quakers.

There was an incredible capacity of the Christian church to start afresh after being covered with crime and slime, through an expansion or an inward movement. There were frequent mystic periods.

Science revolutionized Christianity. Calvinism was an outgrowth of the scientific spirit, a turning against supernaturalism, the priesthood and miracles. The beginning of the scientific turn was about 1530 and hasn't stopped for a day. Protestant Calvinism at its height was anything but enlightened, but the scientific spirit caused an explosion of a general religious kind. We have to be cautious here, since the more you look into it the more puzzling it is. Only in the present can you speak about certainties. (As long as you're sincere you can't go astray).

(The above related to the capacity of the Russians to own up and take responsibility for their crimes.)

Explanation of Passage on Power and Economic Value - G.T. p. 258, middle, - my question:

This deals with how the Reality of Society affects the meaningful limitations of freedom.



There is no meaning in our wishes not to participate in power or in objective economic values. Such a possibility does not exist. It is a mere illusion to believe that it is within an individual's freedom to choose whether to participate in such compelling collective results. It is not.

There is the realization that power, especially in the form of opinion, is not less tragically compelling for not being personalized in anyone who represents it. Such power is an immediate reflection of opinion without the intervention of volition. All we can do is have more or less and influence the use of it.

Power in society need not be personalized, i.e. represented by an organized group: e.g. it may be anonymous, as an opinion or public opinion. It is equally compelling and deadly if it is not personalized, in terms of its effect. e.g. the effect of community opinion on a pregnant girl. This does away with the thought that the creation of power is necessarily a personalized responsibility of those who create that power. Private opinion held by others is a source of power and no one can help having opinions. Political power mostly consists in pointing out the opinions that are held - identical opinions sway you. You can stick to your view, but you can't help a third person <sup>pointing</sup> to it.

Why is this relevant? It does away with the illusion that only organized power at the center presents a limitation to the freedom of the individual. e.g. In the U.S. the power

not represented by government is nonetheless deadly. This insight into our inability to contract the creation of compelling force in society is a source of enlightenment. It is probably the real source of our feeling responsible for our opinions.

Herodotus was amazed that the Persians disapproved of talking about matters which were wrong to do. It later became a principle of Platonic education that good influence was communicated by good ideas.

Economic value offers a strict parallel with power in a society in which it is measurable or conspicuous e.g. market society. No one can avoid a life dedicated to a profession which centers on creating some goods. If one's performances are deprived of any value by lack of appreciation of them, that life has become valueless.

If you cease to think much of light dance music or pop tunes, the social effects of your views exist whether you wish it or not. This falls in the realm of responsibility for the involuntary effect of voluntary actions. There is no way of avoiding it. It is a recognition of the origin of the revelation of the reality of society.

They may be hypochondriac thoughts, but one wonders, whether others don't feel the same way. Our being is not only in and through one another but across one another. The assertion



of community with A is no denial of community with B. I have freedom of another person's influence on me but not my influence on another person. We create power for anyone to pick up. Bertrand Russell in his work on Power overlooked this point - the availability of power for anyone who wishes to pick it up.

Power phenomena are independent of our volition up to a point. Likewise our wants or needs are the source of value. In my own life I can reject A, but cannot help what C will do. This proves you cannot limit your life in relation to yourself. The field of the social creates these phenomena.

This is not the issue of the limitation of the individual's freedom. We distinguish it from the freedoms as creating an ? exterritoriality in society. This freedom doesn't exist, so we can't safeguard it. But there are ways of having less power, e.g. in England you can't ask someone's opinion before you ask him if he will give his opinion. We can create spheres of freedom which are a protection from having to influence society.

P. doesn't want to have opinions made law. Most people don't form opinions and don't shout aloud what they think people should do. This is part of a free society. Pericles argued in Athens that people didn't have views on how others should behave privately. They don't form an opinion unless there is a point to it. The English form idiosyncrasies on the smallest unimportant points as a way of limiting their participation in the creation of power and value. You can't argue that you don't wish to participate in

society because you inevitably do.

It is wrong to assume that if the government has not much to do with business that it therefore has no power. It is based on a strong public opinion. e.g. In England public opinion doesn't form unless all views are heard, and then the safeguards are far-reaching and opinion is all-powerful. In America it seems quite enough if Life Magazine implies something. (My question on the relationship of the foregoing to Aristotle's "Man is a social animal"):

The usual understanding of the above phrase is far broader than Aristotle's intent. Aristotle meant that man's life was of no account outside of the "polis", i.e. man was fitted to live in the polis.

(My question from my essay April 30/56 p. 5, "Without grasping this concept (i.e. reality of society) one cannot fully understand the illusory utopia that market economy was". Is this a correct statement?)

No. You cannot organize a human society through a market. cf. E.F.M. Durbin - you can't sell or arrange certain things on the market, e.g. equal distribution of incomes<sup>x</sup>. The market produces a variety of different reactions which add up. This is termed the self-protection of society which is a good metaphor, but is a loose way of talking.

The Reality of Society is derived from the moral problems of individual freedom. That sociological recognitions can be

*x is not a commodity to be bought & sold.*



substituted for it, Polanyi is not sure. These matters have a content mostly based on empirical recognition. However, resignation is not empirical and P. links this with maturity. This is one of the most valuable aspects of the Freudian approach. A right relationship to reality is maturity. Robert Owen said that only by testing can we draw the line. One can't do this without trying to see what the limitations are.

? P. has a harmonious palogistic (?) bent for solutions but.....

P. regards his work as a pocket torch.

#### Politics and the Current Crisis

Clausewitz' book is still the best one written on power.

The danger in the post-war period was the lack of a balance of power system after Germany and Japan had been destroyed. This left two powers, Russia and the U.S., each of which was stronger than the other on a certain level. This greatly increased their fear of the other, and therefore the possibility of war. However, the rise of new neutralist powers restores the balance of power mechanism and diminishes the chances of war.

P.'s assumption is that the power of any nation is a threat to another nation, and without proper institutional

safeguards would tend towards war.

There is a certain power that underlies politics. It underlies the relationship of bodies with sovereignty over a certain territory and who are sovereign with regard to action outside. This power is under the basic law of maintaining itself and is directed to preventing anything that makes it cease. To prevent its own power from being decreased it would interfere with a similar action of another power.

After the war America occupied half the world, Latin America, the Pacific, Japan etc. They were afraid the Russians would start an anti-U.S. movement.

The whole power structure of the world in the past 100 years was destroyed at the end of the second World War. This was described in P.'s interview in the Globe and Mail seven years ago: it was not the power of certain countries that mattered, but the power vacuum created. It would take ten years of superlative statesmanship together to remove these causes.

The Russian idea of a neutral zone is now being taken up by Pearson: that the West should stand for neutrality and that past policy was a mistake. The Russians came out with this idea in Geneva, but the other side must say it is against it. If they were openly working together with Russia their people wouldn't support it. Therefore they can't work too openly. The idea was invented by Tito: active neutralism.



There was the necessity of setting up new great powers on their own with the assistance of Russia and America. It would take ten years to set up sovereign states, to solve the German question. China wasn't Communist then.

### The Institutionalists

Parsons gave a devastating critique of their position in an article in 1925.

The institutionalists found certain unexplained problems, but then the analytic people solved these and so they were out of it again. e.g. the unemployment problem, and the problem in foreign trade when the principle of comparative advantage doesn't hold and affects the balance of payments.

The Ford Foundation grant (2 years) can take up as a project Veblen's and Mitchell's work. There should be a reappraisal of American institutionalism.

There are two subjects here, American institutionalism and American institutions.

(Pearson is doing his Ph. D. on Commons.)

### Background of the Great Transformation

The idea grew in Europe that with universal suffrage and the working class assumed to be the great majority of the

population, it would join the social democratic party and bring socialism. No one recognized the growing middle class of industrial officials. P. wrote in 1909 (or 1912) that growing monopoly capital would bring a ruling class sociology instead of an atomistic sociology and develop a ruling class morality. Fascism as a mass movement stemmed from the lower middle class (the G.T. has the best and simplest theory) and this Fascism is gone with the gold standard. The threat of its collapse was strong enough to create a dictatorship to save the currency.

It was thought that the Bank of England would force any government out of office if there was any threat to the currency.

The G.T. was not a success on this point but the time will come when these points will be regarded as obvious. Who would believe today that under the gold standard any government anywhere, if it endangered the currency would be forced out of office, even if you had unemployment and depression. It was thought that public credit would collapse if the exchanges were threatened, or the currency stabilized. This obsession is described in the G.T. Every person knew that money was simply a commodity used in exchange. Gold was used, but you could use iron or wheat. A bank note was an order to put you in possession of gold. It represented gold. This was Ricardian economics and was basic in Marx as well. There was no other viewpoint and



only the lunatic fringe argued that there was something wrong here.

There was a school that held that money was anything the State said - but they also upheld the gold standard. They were dominant about 1920 - Knapp, "Staatliche Theorie des Geldes".

Nobody thought that the paper chits meant anything in particular, just that money draws a veil between the actual economy and yourself and if you forgot about it you would see the real economy. Money terms only serve to mystify.

Appendix 12 in the latest printing of the G.T. discusses forces for Speenhamland and forces for the market. Individuals were against the market but you couldn't calculate the class interest at all. There was no sound competitive market. The class interest outweighed individual interest.

There were no population shifts except in the country. There was no general shift over the country. People came partly from Eastern Ireland and Northwest Scotland to Manchester and Lancashire. Redford, the Manchester economist has shown that, P. read it and supplemented it in statistical studies at the Royal Statistical Society library. All it would show is that capitalist interest in organizing a competitive market was of more advantage than low wages. The capitalist needed a working class and there was none. He could sell his goods at any price.

Speenhamland, from the market economist's position was impossible. Man preferred to work rather than go on the rates. The capitalist could have paid less and less wages, but in this way, no costing was possible. There was an irrational relationship between different parts of the country and no market could be formed.

This view has not been taken up and nobody attacked the statements. The English haven't shown much sense for the sociology of their economic history.

Before Adam Smith, unemployment was regarded as a sign of wealth. It meant you had men for the army, navy etc. This idea changed with Smith. It is only with Keynes that we again recognize unemployment through underemployment equilibria, although it is not a sign of the wealthiest countries. The mercantilists would have readily agreed to Keynes.

#### The Exchange Triad and the Gold Standard

P.'s new idea is that the catallactic triad is now dissolved and we should accept this as a fact and therefore not try to restore world trade through a world market and an international monetary system. The restoration of an international monetary system and world trade should occur independently and independent of markets. The international gold standard is not possible - it caused the crashes. There is no way back and we have here a principle for world economic policy.



Until 1931, no one doubted the Gold Standard, even the Communists. (P. recounts in 1946 when he gave a speech at the London Club, a Russian gave an impassioned defence of the gold standard).

The U.S. today is in the same position as England in the 19th century. By making  
^ the World accept the gold standard they are the masters of western economy without carrying the cost i.e. being rich in capital the U.S. need not depress their price level as the others had to formerly, who couldn't bridge the gap and thus had unemployment and depression. England never understood what the gold standard was.

In this respect, the left was economistic and held the same position as the liberals.

Fusfeld (in his book on the New Deal) could have shown that Roosevelt never understood why America went off gold. Economically they didn't have to, everyone agrees today that at that time there was no point to it. But politically they got rid of Wall Street domination and could then put in their own policy. Neither the right nor the left see that Wall Street domination is inherent in the Gold standard. The banking system ensures sound money and sound state credit. The Socialist movement declined in the U.S. after it went off the gold standard.

P. got his gold standard position from Keynes. The Keynesian discovery was one of the greatest discoveries ever made.

Underemployment equilibrium discovered a fallacy in the theory that the gold standard would operate automatically. The situation would instead, get worse and worse. The conclusion was that you go off gold.

By accepting the market concept, their position is uncontradictable. The equilibrium laws work out and saving and investment balance. Also the currency would balance around the gold point, and the flow of investments and trade would restore the balance. The importance of the gold standard is missing in present man's consciousness and it disappeared before it was understood what it meant. The gold standard is market money and is an impossible position. We have to give up market trade and market money.

The last ten years were characterized by no monetary system, no trade and no markets. Convertibility is in itself of no use to England but she can have trade anyway, regardless.

The new Russian economic policy poses a dangerous situation. They cannot start throwing the economy of the West into chaos, and the West is in a panic. The Russians are using these methods in a political way e.g. arms to Egypt for cotton, or taking Burma's excess rice crop.

P.'s approach may be the key to world economic policy in our time. It would permit Russian economic policy to be used in



a constructive way and remove fear of Russian co-operation. The West should realize that this road is possible instead of giving way to panic and a return to the market. Then everything is lost.

Bishop (c.f. G. Trans.) said that economics ought to be called catallactics. It would be better to call the catallactic triad the exchange triad.

Every policy needs a theory. Before Smith no one ever thought markets important. Smith held that the more markets the more division of labor. Smith's discovery of the market had a tremendous policy effect: destroy tariffs, subsidies and regulations, and organize the economy through the market which will permit the division of labor and therefore increased productivity of labor.

Folanyi is sending the market packing: do not organize money and trade by and through the market.

#### The U.S.A.

It was the American educational system that lost Pearl Harbour. They never allowed the possibility that the Japanese would undertake this mission because they had no aircraft carriers and it would have been suicide for the pilots. But the Japanese refitted auxiliary ships and it did not result in suicide. A student operator saw them coming on his machine but no one would believe him. Thus a wrong interpretation of human nature was responsible for the event. It was wrong.

anthropology in the theological sense.

The G.T. is not a good outline of U.S. economic history. In the last 20 years the separation of politics and economics ceased altogether, and may not have been there 100 years ago.

Others hold the same opinion c.f. work by Goodrich school in the J. Ec. History on the role of the States in the American economy, Segal (at Rutgers) and Vivian Carlip. The general gist is that America never knew laissez-faire. Before Hayek economic liberalism was unknown. The American creed was that the government is your organ. (See Hamilton's review of G.T. - brilliant. Also review of a New York judge, liberal with a Jewish name.)

No one understands where the economy and politics separate. The market theorem is probably applicable to America and American history. But it would be mistaken to go in for a doctrinal approach. In America the whole problem of the market again comes up and the New Deal is America's own solution. There we see the institution of the economic process which one should take up and watch.

See Parsons' attack on Institutionalism in 1925 which is sound - reprinted in Barnes, Barnes & Becker.

(See also notes in Exchange Triad and the Gold Standard on America).



The 1958 Book

This book will discuss market economy and planned economy, and bureaucracy and freedom. Athens and Dahomey will be cited to show that these are ancient problems. It will show that the catallactic triad is not a valid conception. Each is the result of convergence of independently institutionalized elements, e.g. with money, different objects were employed for different uses, and trade was a convergence of all kinds of specific trades. Each of these developed internally and externally separately, and have nothing in common in their origin. They then converged in the market. This is the general history of these institutions, and that they are now again going apart is a subthesis. The main thesis is the economic fallacy - it is a polemical book. (Internal and external markets are given by Weber.)

With the '57 book this book becomes obsolete unless you make it a policy book, and the policy idea would be the separation of trade, money and markets.

The Dahomey sources were: Bosman, Isert, Atkins, Dalzel, Skirchley, Forbes (1848), Duncan, Burton (English traveller, excellent book) in Hakluyt, Eabert, Mungo Park, Clapperton, Heinrich Bart, Lenz, Nachtigal, Gauthier, Ibn Khaldoun, Baron Slane, Ibn Batuta (Arabic Berber travellers), Ka Da Mosto (Genoese in service of Portugese). More recent works on

Nigeria: Rattray on the Ashanti, Herskovits on Dahomey.

There is a Cowrie money study in the British Museum (little white shell) which was used in the Niger Belt and by the Dahomey (comes from the Maldives). Ibn Khaldoun, crossing the desert in 1370 saw the Cowrie being traded at 1350 per unit of gold in the middle Niger, but at 1,200,000 per unit of gold in the Maldives.

British explorers bypassed the Niger mouth in 1550 and 1823 and went up the Congo. Leo Africanus, a Jewish writer, in 1520, mistook the Niger for the Nile, and nobody knew where the Nile came from. The other two rivers, the Zambesi and the Gambia flowed into the Atlantic and were thought by others to be the Niger.

Gold came from Timbuctoo to Morocco. In 1800 early Arabic Maps were unknown which were lying untranslated in the National Library in Paris. Neither Ibn Khaldoun or Ibn Batuta was known. Mungo Park lost his life on the Niger and never returned. Clapperton came down from Tripolis to Lake Tchad where he was killed, but his servant went up the Nile from its mouth and he was the first to discover the mouth of the Nile. This was 1829, and by that time the Dahomey had been visited since 1650.

Tavernier described the Indian mogul and the whole town that moved from Delhi every summer in the second half of



the 17th century. 200,000 people moved and took the market with them. Described enormous wealth and terrible destitution.

P. disregarded anthropological culture trays and motivations and was interested only in operations, not in peculiar motives, beliefs and religion. This is the great advantage of this method. P. started from anthropology but left it behind. Very quickly found his way to empirical work and didn't follow along in a philosophical vein. The '58 book will react upon the G.T. When starting on the Livelihood of Man, P. wanted nothing to do with the G.T., but as a matter of fact it is a direct outgrowth.

P. might have very easily lost himself in speculations and theories, but these would have been of little use, because they have no authority.

The publishers are putting out a third book, by Lazarsfeld and Katona on the boundary process. Parsons wants to answer Harry in the third book.

### The Ford Project

P. thinks the Project should take up the broad problem of the transition from primitive to archaic society. Will define economic institutions as those which spring to light in state society but fade out again after markets. Since tribal societies precede<sup>etc</sup>

state societies, how did these institutions get transformed into archaic institutions? There are about 20 which later on disappear again. Will also examine the role of prestige in primitive and archaic society.

Another group will examine the origin of transactions in Ancient Greece and Mesopotamia in a specialist way, but make contributions on the transition to archaic society. We can use economic history for archaic society and anthropology for primitive society, and for the first time compare notes. We have found that tribal institutions in foreign trade are exact replicas of institutions of ancient Greece.

This method can be extended to study legal institutions, the origin of the state etc.

#### Remarks

##### The Trade Cycle

We still don't have a theory of the trade cycle. P. never did anything about the trade cycle problem. Pearson wanted to take it up as a problem of stability and instability. P. agrees with those who say that we cannot describe the trade cycle in a way which tells us how it happened. P. had had trade cycle theory which later Hayek produced and was then shattered by Keynes. P.'s theory was never fully stated. It was a naturalistic theory based on the nature of production, a substantive theory. P. was never much interested in this.



World Religion

All World religions developed within about 500 years of each other. Jesus doesn't set this date but the Essenes do 200 years earlier. The Jews set the date in Palestine in the 6th century. One relates the Essenes to the Prophets and one gets this range from the 8th century - Buddha to the 6th century - Lao-Tze.

6.11?

What caused this great religious epoch throughout the whole world? It may be a cosmic event, such as cosmic rays. The earth may have got a cosmic shot in the arm. More probable than not something happened and you cannot exclude the whole realm of the earth being influenced from outside.

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Question on meaning of "material" in definition of economic:

"Economic" is not a category but a degree term - it has connections that are economic. In a market everything is economic to a degree. Insofar as transactions refer to appropriational movements we regard them as economic. If a wizard gives a health service it may be economic.

There is ambiguity in the meaning of "material". It may be used for the shelter given by a house, or the service of transportation - getting from one place to another is regarded

as a material need. The use of material means doesn't make a phenomenon economic e.g. potlatch may involve the prestige use, rather than utilitarian use.

Why do we call both services and things material?

Everything that serves Man's body is material, whether it is a thing or a service. A man serving in the army isn't performing an economic service - it may be patriotic. The term "material" applies primarily to means and not to ends - material objects which serve any human purpose or activity. It also refers to anything (services) serving material wants. Only recurrent pressing needs are meant here - physical, bodily, or physiological needs are all material. The health wizard is performing an economic task

Material want satisfaction refers primarily to means, but secondarily to wants, in case the means are not material, e.g. refers to a man in the army, only if he is a mercenary, but otherwise why should the defence system be regarded as economic? The formal definition is simple but ours is not.

My Question:

Is the scarcity notion involved in the whole idea of progress? Does perpetual progress imply perpetual scarcity?

P. not prepared to go into whole question. The idea of progress is not co-ordinated with the idea of scarcity. It takes in elements which have nothing to do with it.



My Question:

Can we give substantive treatment to modern instalment buying as transfer of use via token ownership and token payment?

This gets us into legal forms of the economy which is a most difficult subject, and P. warns me off. c.f. Rudolf Staehmler, *Wirtschaft & Recht*. The economic approach can't distinguish law from the economy. Is as "form and content", to them

My Question:

Suggestion for a text-book to teach General Economic History to a College class.

Weber's book on General Economic History is best, but it is translated badly. Use it for problem of economic rationalism and rationality. Otherwise use the new edition of the Heaton Book. It is extremely readable but the class will be utterly misled by its contents.

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P. assumed that Aristotle had no market economy and didn't know the market system, and that the 2000 years that had gone before in Babylonia had no market system.

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There may be a revival of interest in the Great Transformation. Last year Rinehart sold 317 copies. May be due to Riesenman's reference to the book in *The Lonely Crowd*.

The Assyriologist with whom P. has been working has decided to put their results to the leading Assyriologists in America, and recognizes that everything in the field of Mesopotamia is inadequate and that our methods alone give hope of clarity.

A. Rotstein

Mr. ...  
Omission:

The far greater influence of Adler than Freud on modern times - eg. "compensation", "inferiority complex" etc.