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A RE-EVALUATION OF THE "SCARCITY" POSTULATE IN THE LIGHT OF RECENT THEORETICAL DEVELOPMENTS IN THE SOCIAL SCIENCES*

Introduction

FOR a great many years the "scarcity" postulate in economic theory has continued to evoke a series of acrimonious debates within the economics profession. On the one hand, followers of the "Institutionalist School" have tended to deride it on the grounds of its "abstractness," lack of "realism," and claims to "universality" while, on the other, members of the more populous and "orthodox" school of economic analysis have viewed it as a powerful tool in the study of allocational problems.¹ The former have advocated the scrapping of the theory in its entirety and have been led by their stand in the

*At the outset, the writer would like to take this opportunity to thank Professor Karl Polanyi, Director of Columbia University's "Interdisciplinary Project on Economic Aspects of Institutional Growth" for his helpful comments of an earlier draft of this paper. The writer also wishes to thank Professor Talcott Parsons, Chairman of the Department of Social Relations at Harvard University, with whom he had an opportunity to converse and exchange ideas while attending that institution on a Fund for the Advancement of Education faculty grant during the academic year, 1955-56. Needless to say the particular formulations employed are those peculiar to the author who, in sifting and evaluating constructs in the other social disciplines, chose those which seemed to him most relevant to the immediate undertaking. Therefore, it is the writer and the writer alone who accepts full responsibility for the contents of this paper.

¹For a sampling of the views of the leading members of the "Institutionalist School," see Thorstein Veblen's, "Why is Economics Not an Evolutionary Science?" *Quarterly Journal of Economics*, 1898; "The Preconceptions of Economic Science," *ibid.*, 1899-1900; "Professor Clark's Economics," *ibid.*, 1908; "The Limitations of Marginal Utility," *Journal of Political Economy*, 1909; John R. Commons, *Legal Foundations of Capitalism* (New York: The Macmillan Co., 1927); *Myself* (New York: The Macmillan Co., 1936); and the early Wesley C. Mitchell's *Business Cycles* (Berkeley: University of California Press, 1913). On the other hand, the opinions of the majority "faction" can be found in almost any good introductory textbook in economics and price theory.

a/ matter to adopt a rather extreme position of cultural or institutional relativism in most instances² while the latter, explicitly or implicitly, have felt their hypothesis to be of such merit as to have explanatory relevance in the processes of resource allocation regardless of the particular form of social organization under observation. In the latter connection, it could equally well be applied to the study of primitive production, distribution and exchange, or to the analysis of planned and underdeveloped economies as it could to that of a competitive market system. In recent years, cultural anthropologists have taken up the cudgels, dividing themselves on one or the other side of the economists' fence.³ And even some sociologists, emboldened by this seeming display of bad manners among their economic brethren, have felt free to add their voices to the discussion.⁴ In the light of the controversies stirred up and the importance of the problem, this paper

² One of the few exceptions to this statement is Professor Clarence Ayres. While he has thoroughly discounted the role of price theory (See, *Papers and Proceedings of the American Economic Association*, May, 1951, p. 50), at the same time he has attempted so to combine the ideas of John Dewey and Veblen as to evolve an instrumental theory of value having universal applicability. See his, *The Theory of Economic Progress* (Chapel Hill: The University of North Carolina Press, 1944), pp. 205-30. On the other hand, Professor Witte, in defending the position of the institutionalists against the attacks of the price theorists, takes the more typical approach when he states: "... the institutionalists do not regard economic laws to be timeless and placeless . . . they seek not universal natural laws but solutions applicable to a particular time, place, and situation." "Institutional Economics as Seen by an Institutional Economist," *The Southern Economic Journal*, Vol. XXI, No. 2 (October, 1954), p. 134.

³ See, Melville Herskovits, *Economic Anthropology: A Study in Comparative Economics* (New York: Alfred A. Knopf, 1952); D. M. Goodfellow, *Principles of Economic Sociology* (Philadelphia: P. Blakiston's Son and Company, Inc., 1939); Raymond Firth, *Primitive Polynesian Economy* (London: George Routledge and Sons, Ltd., 1939); Bronislaw Malinowski, *Argonauts of the Western Pacific* (London: Routledge and Kegan Paul, Ltd., 1922); Margaret Mead, ed., *Co-operation and Competition Among Primitive Peoples* (New York: McGraw-Hill Book Company, Inc., 1937); and Ruth Benedict, *Patterns of Culture* (Boston: Houghton Mifflin Company, 1934) for a spectrum of ideas ranging, in the case of Herskovits, from an extreme defense of "economizing" behaviour and the maximization principle under primitive conditions to an espousal by Benedict of the uniqueness of all configurational patterns in the analysis of primitive cultures.

⁴ The classic formulation in economic sociology is to be found in Part I of Max Weber's *Wirtschaft und Gesellschaft*, translated into English by A. M. Henderson and Talcott Parsons under the title, *The Theory of Social and Economic Organization* (New York: Oxford University Press, 1947), pp. 158-319. Other and more recent references will be found in succeeding sections of the paper.

attempts to examine critically the significance and scope of the "scarcity" postulate at the same time drawing upon recent theoretical developments in the other social sciences. The results are such that, if valid, should force a serious reconsideration of the problem by all members of the opposing camps.

Frame of Reference

Advocates of modern price theory define *the* economic problem as the study of the principles governing the allocation of scarce means among competing ends when the objective of the allocation is to maximize the attainment of the ends. According to this view, economics is concerned with that particular aspect of behaviour which arises from the scarcity of given means to achieve given ends, i.e., it is concerned with economical action. The allocation of scarce means so as to maximize ends may be subsumed under the heading of "rationality" and clearly presupposes action on both the personality and social system levels. The implicit assumption of viewing all objects in the situation, human and non-human, as means and never as ends in themselves may be termed "instrumentalism." Such action is oriented to the attainment of an end or goal outside of the immediate situation itself. Further, it is implicitly assumed that the ends of preferences of individuals are random, i.e., the theory says nothing about the relations among the goals of the individual actors. While utility analysis attempts to provide an ordered relationship among intrapersonal preferences, it does so only by abstracting from the individual's social relationships and the normative structure of the society, or its commonly accepted goals and rules of behaviour. A common tendency in the past has been to "biologize" the goals by introducing such non-economic concepts as psychological hedonism. By so doing, it could then be inferred that the system was kept going by the "rational pursuit of self-interest" on the part of egoistically-oriented individuals and, in this manner, give the conceptual scheme an appearance of universal applicability which it might not have had otherwise.⁵

The "Scarcity" Postulate and the Problem of Verification⁶

It should be noted first of all that the formal meaning of economics as the "allocation of scarce means among competing end so as to maximize net satisfactions" derives from the rules of logic and

⁵ Wilbert E. Moore, *Economy and Society* (Garden City: Doubleday and Company, Inc., 1955), pp. 7-8.

⁶ See Professor Machlup's excellent article on the subject, "The Problem of Verification in Economics," *The Southern Economic Journal*, Vol. XXII, No. 1 (July, 1955), pp. 1-21; also Henri Poincaré, "Science and Hypothesis," *The Foundations of Science* (New York: The Science Press, 1929).

is, therefore, the "free creation of the human intellect" rather than arising necessarily from the facts of nature. That people act rationally, attempt to make the most of their opportunities within certain situations, and arrange their preferences in some consistent and hierarchical order are fundamental assumptions or high-level generalizations within the conceptual framework of economic theory. By the use of such abstract and "high-powered" axioms or principles logical relations, in turn, are deduced which, along with some necessary factual assumptions, then serve as the core from which conclusions can be inferred. Thus the principles of economic theory are not different from the principles in any of the physical and biological sciences which employ such abstract concepts as "mass," "force," "genes," "motion," etc. Such concepts are by their very nature mental constructs and are not, however they may appear, uniquely determined by the realities of the external world. Furthermore, since ends are assumed to be infinite and since the means capable of satisfying them have alternative applications, the latter are always scarce *relative* to the ends themselves. Therefore, rational activity consists of maximizing such diverse and graded ends with the least expenditure of the scarce means and this, in turn, necessitates deliberate choice among the alternatives open in the situation. Consequently, and within the frame of reference of the theory, the economic aspect of behavior is "an aspect universal to all behavior insofar as it is purposive."⁷

Insofar as formal economics is indeed a system of universal *a priori* truths stemming from pure reason, it is not open to any direct verification or refutation on the grounds of experience or sense observation. Even if it is argued that the assumptions of economic theory are "assumptions involving in some way simple and indisputable facts of experience,"⁸ they are still not capable of independent testability since they derive from *inner*, non-objective experience. If this were all that economic science purported to be, it would be nothing more than a generalized set of axioms and relations subject only to the same types of deductive criticisms as to its internal logical consistency as are to be found in the field of pure mathematics. However, economic theory is not content with such a purely formal role but in its applied sphere wishes to combine its high-powered abstractions with those of a lower order of generality and empirical relevance in order to have the former serve as an instrument of explanation or prediction of events in the "real" world. This, in turn, necessitates the use of operational categories which are empirically verifiable through correspondence with sense data so that the main principles

⁷ Frank H. Knight, "Anthropology and Economics," *Journal of Political Economy*, XLIX (April, 1941). This article has been reprinted in Herskovits' book, *op. cit.*, Appendix, p. 512.

⁸ Lionel Robbins, *An Essay on the Nature and Significance of Economic Science* (2nd ed.; London: The Macmillan Co., Ltd., 1946), p. 78.

can be identified with such data and then used to predict occurrences which can be observed. Therefore by means of various operations the "free creations of the human intellect" can be attached to sense data and the operational categories are then capable of being compared with such data so that the correspondence or "fit" between the theory and data can be checked. While the axioms are purely conventional and, as such, say nothing about observable fact they would remain forever sterile if it were impossible to identify the concrete phenomena to which they are supposed to apply. Science requires, therefore, that "concepts be defined by a series of operations which permit the sensory perception and identification of the phenomena referred to by these concepts." In this way, a bridge is formed between the *a priori* nature of the theory and its empirical appendages. While the fundamental assumptions are always correct, the lower-level generalizations predicting the results of assumed changes in terms of the events which are supposed to follow are independently verifiable and their non-refutation apply to the theory as a whole.

Economic Theory and Economic Theorists

It goes without saying that the vast majority of economists, including economic theorists, have refused to bound by the purely formal definition of economics. Instead they have been interested in the explanation and prediction of economic phenomena and so have applied its principles to an economy of a definite type, namely, the competitive market system of the West. The success of economic analysis as an explanatory device in the study of resource allocation in such an economy has led many of them to feel, explicitly or otherwise, that economic theory can be applied to most other economies with similar useful results. In reasoning so, however, they have been as guilty as the institutionalists and ultra-empiricists whom they criticize in confusing the universality of the logical construct with its empirical usefulness. As has already been noted, the latter is not only a function of the major axioms employed but also of their derivatives, the latter being identifiable with those empirical conditions of the economy under analysis. Thus while the institutionalists have been criticized for their lack of methodological sophistication by the adherents of price theory, the latter have been guilty of "universalizing" conditions which may not exist at other times and places, or exist in different configurational settings.¹⁰ Even such an outstanding cultural

⁹ James D. Thompson, "On Building an Administrative Science," *Administrative Science Quarterly*, Vol. I, No. 1 (June, 1956), p. 105.

¹⁰ For some representative statements in this regard, see Robbins, *op. cit.*, pp. 19-20; Benjamin Higgins, *What Do Economists Know?* (Victoria: Melbourne University Press, 1951), p. 6; Kenneth E. Boulding, *Economic Analysis*, (3rd ed.; New York: Harper and Brothers, 1955), pp. 7-8; and George J. Stigler, *The Theory of Price* (rev. ed.; New York: The Macmillan Company, 1952), pp. 1-2.

anthropologist as Herskovits, e.g., lends the weight of his authority to the "scarcity postulate by endorsing its universality and empirical significance. Thus he states: "In any society ... 'the adaptation of means to ends and the "economizing" of means in order to maximize ends' are a fundamental problem."¹¹ In the light of such statements, therefore, it becomes necessary to understand just what institutional conditions are a prerequisite for "economizing" to take place if the discipline of economic analysis is to have explanatory and predictive value. In other words, the scope of such action must be delimited in terms of the configurational context which gives it meaning. Once this is done, one can examine briefly various types of economic system with a view to delineating those areas where economic analysis is practically relevant.

*Institutional Conditions*¹²

For economic theory to serve as a powerful tool of analysis, two major sets of conditions appear to be essential. In the first place, the culture must be such as to lay great stress upon "economizing" behaviour. Thus economic rationality becomes that value system appropriate to the economy as a sub-system of the society; it is institutionalized in the economy and internalized in personalities in their economic roles.¹³ In a society which institutionalizes "scarcity,"

¹¹Herskovits, *op. cit.*, p. 62. For a critique of Professor Herskovits' position by one of the few contemporary economic theorists who has understood the theory's limitations, see Knight, *op. cit.* See also the writer's, "Economic Methodology and the Significance of the Knight-Herskovits Controversy," *The American Journal of Economics and Sociology*, Vol. XII, No. 2 (January, 1953), pp. 201-10.

¹²For the rationale behind some of the statement made in this and succeeding sections, see Talcott Parsons, *The Social System* (Glencoe: The Free Press, 1951); Parsons, "The Motivation of Economic Activities," *Essays in Sociological Theory* (rev. ed., Glencoe: The Free Press, 1954), pp. 50-68; Parsons and Neil Smelser, *Economy and Society*, (Glencoe: The Free Press, 1956); Moore, *op. cit.*; Marion J. Levy, Jr., *The Structure of Society* (Princeton: Princeton University Press, 1952); Herskovits, "The Problem of Adapting Societies to New Tasks," in Bert F. Hoselitz, ed., *The Progress of Underdeveloped Areas* (Chicago: The University of Chicago Press, 1952), pp. 89-112; and Karl Polanyi, Conrad M. Arensberg, and Harry W. Pearson, eds., *Trade and Market in the Early Empires* (Glencoe: The Free Press, 1957).

¹³An institution is hereby defined as a system of norms or values, i.e., rules of conduct regulating behavior. Value refers to any item of a culture which makes a statement about action and, at the same time, possesses these major features: (1) selection of alternatives, and (2) category of desirable. A role is an organized pattern of performances and rewards organized around the actor in the social system under examination. It involves

economic interaction will take place in the context of maximizing net advantages. For this type of orientation to prove effective, however, a second set of conditions becomes imperative, namely, that the economy as that sub-system of the society producing utilities or generalized facilities for disposal by the latter must be divorced from the other social structures which are organized primarily by the institutionalization of patterns other than those of the economy as, e.g., with the nuclear family in contemporary society. This is absolutely essential since the individual is incorporated in roles other than the occupational one where immediate gratifications and group attachments are very important. Unless such orientations can be effectively excluded from an occupational system stressing instrumental behavior, the latter cannot develop to a high degree of specialization. Thus, e.g., the constitution of the kinship system on the basis of biological relatedness at once narrowly limits the relevance of achievement and efficiency patterns. It is out of the question for a role system stressing choice and "scarcity" to be effective when fused with or embedded in a kinship structure whose goals and values emphasize such immediate gratifications as love and loyalty and familial obligations and segregation of the former from the latter becomes all the more necessary if one remembers that freedom of mobility is essential to its proper functioning.¹⁴ Similarly there must be a separation of the economy and economic roles from the political structure with its emphasis upon power and authority and their allocation. Obviously maximum economic efficiency is incompatible with a social structure geared to influencing and controlling the actions of individuals and

a set of complementary expectations concerning his own actions and those of others with whom he interacts.

Through the family, education, and the other socialization processes values become integral parts of personality systems while, at the same time, they serve as the main content defining social role obligations. In other words, they state in general what is expected of persons in different social situations and what the consequences of conformity or deviance will be. Given complete institutionalization, the "binding in" process is such that what people desire tends to correspond with what others expect them to do.

¹⁴ Thus, attention to matters of economic efficiency *per se* obviously was impossible in those agricultural societies of antiquity where most, if not all, economic activity centered around the household and where familial values predominated over considerations of production maximization. Under such conditions, economic inefficiency could not and was not employed as a rationale for turning children off the land by their elders at the same time hiring more productive workers in their stead. Similarly, the family-run business of medieval times was not the most efficient type of economic organization. Nevertheless the son or son-in-law who eventually inherited and directed it was not dismissed on the grounds of potential or actual business ineptitude.

where evaluation of such individuals takes the form of assessing their contributions to political goals rather than to purely technical achievements.¹⁵ Only when both sets of conditions are met can the high-level generalizations of economic theory be combined with those of a lower and more factual nature to produce an empirically useful discipline. Should either or both of these conditions be absent, economic theory can serve only a "criterion" function by measuring any going society's disposal of resources against its own logical and abstract standards of what would constitute a "rational" allocation.

Economic Theory and the "Competitive" Economy

It can readily be seen that the basic factual conditions necessary for economic theory to perform an empirically useful function would tend to be approximated in an economy where the dominant form of integration was that of exchange with its concomitant market structure, and where the institutional framework included at the very least the enforcement and regulation of competition, the minimization of the use of force and fraud, and the enforcement of norms governing the division of labour, the allocation of property rights and the distribution of goods and services. And the culturally approved and market-sanctioned acquisitiveness of such an order would provide an economy in which the production and distribution of goods and services was controlled, regulated and directed by contracts and markets. Thus the institutional conditions would so function as to integrate the "isolated economic act or the particular economic organization into the fabric of the normative order of society" and would so define the economic situation that egoistic action would also fulfil "the expectations of society."¹⁶ Given these institutional prerequisites, the market

¹⁵ Thus a young defector to the West from the Soviet Union who served for a time as Chairman of a local collective farm relates the following anecdote: "In the spring the source proposed to sow beets on a certain date, in accordance with orders which he had received from the district party committee. Some of the older peasants warned him, saying: 'Son, they will die. The land is cold.' The agronomist at the farm confirmed this. So the source ordered ten hectares sown in beets at the date specified, but waited eight days before sowing the rest. The older peasants proved right. The early plantings died. The district committee had ordered the earlier planting date because it wanted to announce that sowing had been finished earlier than the year before." "The Soviet Union as Reported by Former Soviet Citizens," U.S. Department of State, External Research Staff, Office of Intelligence Research, Interview Report No. 19 (September, 1957), p. 5

¹⁶ Moore, *op. cit.*, p. 18. It should be noted that institutionalization of such behavior is markedly different from attributing it to any innate propensities of the human organism. The former approach stresses the cultural relativity of such behaviour; the latter implies its universality as

system would not be just a means of exchanging goods; it would function as the integrating mechanism for producing and allocating utilities throughout the whole society of which it formed a part.¹⁷ Under such a system, input factors such as physical facilities, cultural factors like technical knowledge and "know-how" and human motivational elements are committed to economic production independently of short-run economic sanctions. The problem is not whether such social and cultural resources are to be put to work within the economy instead of being employed in other social and cultural pursuits but rather what sort of work they will perform and what their relative remunerations will be. In other words, the problem becomes one of intra-economic performances and rewards predicted upon a value system stressing efficiency, economic merit and "economizing" action. The "competitive" economy is differentiated out from the rest of society and is maintained by instituted values that stress rational action and

a biological or psychological constant common to all mankind. Further, institutionalization of acquisitive behavior within a certain type of economy in no way implies that such action will be extended to other social relationships. Indeed it militates against any such conclusions thereby elevating the concept "homo economicus" to a new level of sophistication.

¹⁷ Though this is not the place for an extended comment, the 18th and 19th centuries bore witness to the emergence of such institutional conditions and, with them, to the development of an unique historical phenomenon, an exchange system apart from rather than embedded in a network of other social relationships. This system with its instituted values of "economizing" and maximizing net advantages followed essentially independent laws of its own which revolved around the operations of a supply-demand-price mechanism. For it to function satisfactorily, however, the economy itself had to be so differentiated out from the other social structures that the factors of products would be relatively "free" to perform instrumental roles and this could only be accomplished by bringing them within the orbit of purchase and sale. Thus land, and all that was grown on it, which had served historically as man's native habitat as well as his means of subsistence, was made subject to the laws of supply and demand and given a "price." Man himself was "uprooted" from his social moorings along with such alternative reservation demands as might have impeded his entry into the labor force and interfered with his mobility (e.g., the Poor Laws, the Speenhamland System and the Enclosure Acts in England) and became a "commodity" with his individual and familial existence dependent upon the price he was able to obtain for his services. This relatively recent and dramatic turn of history has led one writer to state, therefore, that "land, labor and capital as 'agents' of production, as impersonal, dehumanized economic entities, are as much modern inventions as the calculus." Robert L. Heilbroner, *The Wordly Philosophers* (New York: Simon and Schuster, 1953), p. 20. For an excellent analysis of the forces giving rise to these conditions, see Karl Polanyi, *The Great Transformation* (New York: Rinehart and Company, Inc., 1944).

the necessity for the best choice among the alternatives open in the situation. Further, all goods and services, including the use of input factors, are available for purchase and sale in the respective factor and commodity markets and can be "priced" in those markets through the medium of money. Thus, both the "conditions of choice and its results are quantifiable in the form of prices."¹⁸ Given the necessary institutional parameters and basing its analysis upon the internal operations of a system of markets and prices divorced from the other sub-systems of the society, economic theory is able to offer an explanatory and predictive scheme of great value for an economy determined by choices induced by an institutionalized scarcity of resources.¹⁹

¹⁸ Polanyi, "The Economy as Instituted Process," in Polanyi, Arensberg, and Pearson, *op. cit.*, p. 247. It is a relatively simple matter to translate the economic problem into cost and welfare terms. The fundamental problem of all societies is the allotment of "scarce" human and material resources to the satisfaction of diverse needs in an attempt to maximise welfare. The means of production—land, labor, capital and organization—are scarce relative to the almost unlimited possibilities of consumption that they can be used to satisfy. Human labor is scarce relative to the multifarious purposes on which it is expended and the capital which is accumulated is likewise scarce in relation to the diverse wants of individuals. Similarly, the surface of the globe is limited and since certain portions of it are more suitable in varying degrees for the activity of human beings—differences in fertility or convenience of situations—certain portions of the land acquire scarcity value. Also organizational "know-how" is in short supply in the sense that factor inputs must be so combined as to minimize costs and maximize the output of utilities demanded by the population. As a result, labor, capital, land and organization constitute the real costs in which goods are embodied and are known respectively as wages, interest, rent and profit. In a "rational" economy, such costs are the ultimate measure of economic scarcity. They afford an index of the relative worthwhileness of producing different kinds of goods and combinations of goods and of different ways of producing the same good or combination of goods. Since money is employed as a measuring rod of real efforts and social utilities in such an economy, it follows that all inputs and outputs are quantifiable in price terms. As a result, rational economy consists of so allocating scarce productive means as to maximize satisfactions at the least cost. From this it follows that at least two major conditions must be met before an optimum position can be attained: (a) marginal cost and marginal utility must be equal, and (b) at any given level of output the factors of production must be so combined that average costs are at a minimum.

¹⁹ It should be noted, however, that even in such an economy the further away economic theory gets from an analysis of intra-economic processes and the closer it approaches the boundaries between the economy and the other cognate sub-systems of the society, the weaker becomes its explanatory relevance. This is due either to: (a) the assumption, tacit or otherwise, that all decisions on the non-economic sides of the respective

The "Universality" and Scope of Economic Theory

From all that has been said so far, it must be readily apparent that only under certain limiting conditions can economic analysis hope to prove effective as a method of inquiry. While its general hypotheses are such as to stress economical action and its effects and while such behaviour is universal in a formal sense, the extent to which it is applicable to the study of any economy depends upon whether or not the latter is, in fact, the result of such institutionalized actions. As has previously been emphasized, however, this concurrence only takes place when (a) the institutionalized values of the society and the economy emphasize "economizing" behavior and, therefore, the necessity for choice, and (b) where the economy is segregated out from the other sub-systems so that the instituted values are distinct from the different value orientations in the other social structures. In the latter connection, only the modern Western industrial type of occupational role structure stands near the pole of maximum segregation while the situation characteristic of so many other societies is one where the overwhelming proportion of economic functions is performed in conjunction with non-instrumental roles. Therefore, outside of the institutional complex represented by the former, economic theory loses much of its relevance as a method of inquiry into the operations of an empirical economy.

As a result, there is little need to go along with the comment of one noted economist who states that "indeed it is a paradox that wealthy nations seem more concerned than poor with the efficiency of their economic organizations,"²⁰ to understand why the "typical" primitive society, e.g., delimits so narrowly the scope of maximizing behaviour among its inhabitants. Such real economic rationality as is

labor, capital and entrepreneurial markets are made primarily on economic grounds, or (b) the introduction of empirical modifications at those boundaries which, in turn, lead to statistical or econometric verifications of empirical laws which cannot, in most instances, be deduced from the general hypotheses of the theory and which vary over time in the numerical relationships measured. A rather typical example of such empirical "laws" would be the consumption function. What we have here is simply a comparison between two historical situations which, by their very nature, are changing through time. Even if it were assumed that all coefficients were known in a Walrasian system of general equilibrium, untenable or arbitrary assumptions would still have to be made concerning the social parameters in which the economy operated. Obviously what is needed is a more general theory in which economic analysis does not lose its theoretical specificity but functions as a special case of a more inclusive theory of social action. In the latter connection, see Parsons and Smelser, *op. cit.*, pp 1-100.

²⁰ Stigler, *op. cit.*, p. 1.

to be found there is simply oriented towards somewhat different goals and is limited by widely varying institutional contexts. Most ethnographic studies of primitive societies show clearly the fusion of a variety of non-economic institutions with that of the "economy."²¹ Similarly, individuals in such societies are motivated, in the main, by social, religious and political obligations and, as a result, "exchange" is carried on by and large through reciprocity and redistributive arrangements²² rather than through a *system* of markets. Where economic activities are fused with motives of maintaining social ties, the latter becomes more important than the former in acquiring goods and using resources for social ends. Under such circumstances, the "scarcity" postulate has little explanatory or predictive value apart from the vaguest of generalizations that somehow resources have been allocated in such a manner as to maximize satisfactions. All this amounts to saying is that "whatever is, is right!" While the maximization principle segregates out economic motives from those which cannot be empirically separated from them in such societies, the allocational principle in its turn abstracts from institutional conditions which cannot be abstracted from in most instances in any other than a heroic and non-explanatory sense.²³

Further, many primitive and other societies are characterized by a set of values where ends are traditionally limited and where the technical possibilities of production are such that whatever their logical permutations and combinations the individual is not free to choose among them. Under such conditions, "scarcity" as a logical ordering device loses its predictive value since the norms of the society fix the ends or goals and dictate the "choice" of means in such a clearly

²¹ See Malinowski, Mead, and Benedict, *op. cit.*, also, George P. Murdock, *Social Structure* (New York: The Macmillan Co., 1949).

²² Reciprocity involves a symmetrical structure pattern in which there is reciprocal gift and counter-gift exchange among kinship, geographical and other groups. A redistributive economy, on the other hand, is one possessing a centralized structure pattern in which goods produced are collected—rights of disposal over them obtained—turned over to some central authority for storage, and eventually redistributed either on the basis of religious and conventional values or arbitrary judgments. On the basis of these integrative patterns and that of exchange and the market structure, Polanyi has been able to work out a tentative classificatory scheme for all empirical economies. See his, "The Economy as Instituted Process," *op. cit.*, pp. 250-56.

²³ One of the more sophisticated endeavors in the field of cultural anthropology is that associated with the name of Raymond Firth. While Firth accepts as valid the "scarcity" postulate, his application of it is most judicious and there is a clear awareness of its institutional limits in the study of primitive economies. See, for example, his *Primitive Polynesian Economy*, (London: George Routledge and Sons, Ltd., 1939), ch. 10.

non-instrumental fashion that the "choices" of economic theory become impossible. And all of this is quite apart from the more obvious critique that in such societies money as a generalized means of exchange, prices and markets in the *modern sense* are conspicuous only by their absence.

Similarly a careful reading of economic history will reveal that until fairly recently the basic sets of conditions necessary for economic theory to serve more than a "criterion" function were lacking. During the period of antiquity, reciprocal and redistributive relationships predominated with soil-tilling peasants producing surpluses which were used to feed and provide for the needs of groups in the polis. The common element in the production process was the kinship unit in the form of peasant households with membership not contingent upon work efficiency but rather upon kinship itself. Inasmuch as the native aristocracies were concerned, class and kinship status was far more important than occupational status. Similarly of the medieval period and serfdom. The common characteristic of both periods is the relative lack of economic differentiation from kinship and political structures with a concomitant value system stressing collective loyalties and attachments.²⁴

It should further be noted that at the present time the vast majority of the populations of the so-called "underdeveloped" countries is engaged in agricultural pursuits which take place in social structures and with a set of institutionalized values remarkably similar to those of earlier periods in history. While these countries are rapidly industrializing, the nature of their social systems is still such as to cause economists a great deal of embarrassment when explaining, e.g., such "irrational" phenomena as "perverse sloping labor supply curves" in those economies. At such times *ad hoc* explanations are increasingly resorted to in place of the interrelated inferences forming the

²⁴ Max Weber, *General Economic History*, trans. Frank H. Knight (Glencoe: The Free Press, 1940), Parts I and II. This is not at all to deny the indisputable existence of trade, money and markets in ancient and medieval societies and more than in primitive and "underdeveloped" cultures. [See, M. Rostovtzeff, *A History of the Ancient World*, trans. J. D. Duff, (Oxford: Clarendon Press, 1926), I]. Rather what is suggested is that the mere existence of such phenomena should not automatically lead to the conclusion that the institutional prerequisites necessary for a market system to operate also were present at the same time. This is an unwarranted inference in the light of present-day institutional knowledge. See, Polanyi, Arensberg, and Pearson, *op. cit.*; also, the writer and Phocbus J. Dhrymes, "The Economic and Sociological Significance of Debt-Bondage

body of economic theory.²⁵ Concentrating out of training, and inclination on the more familiar appendages of economic analysis such as capital accumulation, resource availability, size and composition of the labor force, amount of technical and managerial "know-how", etc., the "orthodox" economist at the same time either hopes that the social parameters of such countries will not be such as to interfere unduly with his analysis or, where aware of the problem, makes mention of the different cultures, tradition and attitudes without *integrating* these institutional and motivational elements into his explanatory system.²⁶ Needless to say, to the extent that the institutional frameworks are indeed different, to that extent his observations and predictions lose the cogency characteristic of his analysis of more familiar systems. In this connection, even the use of economic analysis by some economists in the examination of a relatively industrialized economy such as that of the Soviet Union fails at times to take fully into consideration the implications and consequences for the theory of an occupational system which, while segregated out from kinship structures in industry, nevertheless persists in its attempts to "politicize" the economy by placing primary emphasis upon loyalty to the goals and standards of the Communist Party rather than upon "economical" behaviour and choice *per se*. The result is reflected in the tendency of these theorists to compare the actual distribution of resources in the Soviet Union with what it should be under a "rational" allocation and, thereby, to impute "irrationality" to that country's allocational system using as a guide the abstract logic of socialist economic theory.²⁷

and Detribalization in Ancient Greece," *Economic Development and Cultural Change*, Vol. VI, No. 2 (January, 1958), pp. 88-108.

²⁵ To the extent that recourse is taken when explaining such behavior to the maximization of "leisure" as opposed to work dichotomy, the formal generality of the theory remains unimpaired. This is hardly conducive, however, to serious predictions on the empirical level in terms of the derivative relationships previously established by the analysis. What should and possibly can be measured at such times is the degree of "distortion" arising from the existence of institutional conditions different from the social parameters implicitly assumed by the theory thereby delineating problematical areas subject to social investigation and control.

²⁶ On the other hand, a return to the older "political economy" of Adam Smith is evident in W. Arthur Lewis', *The Theory of Economic Growth* (Illinois: Richard D. Irwin, Inc., 1955). See also Everett E. Hagen, "The Process of Economic Development," *Economic Development and Cultural Change*, Vol. V, No. 3 (April, 1957), pp. 193-215.

²⁷ See, H. E. Ronimois, *Soviet Planning and Economic Theory* (mimeographed by the University of British Columbia, 1950), pp. 293-311; also R. L. Hall, *The Economic System in a Socialist State* (London: Macmillan and Co., Ltd., 1937), Appendix, pp. 233-55. As is well known the theory of socialist economics around which a voluminous literature has

Summary and Conclusions

This paper has attempted to indicate in the first instance that the "scarcity" postulate in economic theory possesses universal validity when properly understood within its own frame of reference. In this connection, it was further pointed out that as a "free creation of the human intellect" it is not subject to direct empirical verification but can only be "disconfirmed" on the basis of its lower order generalizations which possess at the same time empirical and operational significance. The failure of most members of the "Institutionalist School" to realize this clearly has vitiated to a considerable extent many of the more pertinent and interesting observations they have been able to make. It was then shown that on the explanatory level two basic sets of conditions are necessary for economic theory to have real value as an analytical tool. Firstly, the value system of the society and economy must stress instrumental and rational behavior and, secondly, the economy and occupational system in general must be so segregated out from rest of the society with its other role requirements as to give meaning to the first set of conditions. It was then found that these institutional prerequisites are more or less approximated in the modern industrial economy of the West. On the other hand, it was shown that such conditions are, in the main, absent in primitive societies, those of antiquity and the Middle Ages and, to a large extent, in the "underdeveloped" countries at their present stages of economic development. In the latter connection, it was felt that even in such a relatively industrialized country as that of the Soviet Union, the "politicizing" of the economy with primary emphasis upon the ascriptive rights and goals of the Communist Part would result in a resource allocation which could only appear as "irrational" to an economist clothed solely in the armor of traditional theory. On the empirical level, it was suggested that many advocates of price theory were as confused as those they criticized in promoting the illusion that the analysis had operational significance for the understanding of all economic systems. In such cases it was felt that the "confusion" centered around the failure to realize clearly that while the principles of formal economics are *universal* they are not, at the same time, *universally useful*. The conclusion drawn was that economic theory as a predictive scheme was only of limited help in analyzing the operations of many economies different from our own and, in many instances, could serve only a "criterion" function by comparing their actual resource allocation with what they should or would have been had these economies acted in accordance with the logical postulates of the theory.

Austin

MURRAY E. POLAKOFF

grown is nothing more nor less than the attempt to employ the principles of price theory and welfare analysis as criteria for judging rational resource allocation under such a system.

Murray E Polakoff

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THE ECONOMIC AND SOCIOLOGICAL SIGNIFICANCE OF DEBT BONDAGE
AND DETRIBALIZATION IN ANCIENT GREECE*

Introduction

Economic systems can be classified according to their integrative patterns, that is, according to the manner in which societies integrate the production and distribution of goods and services of the individual members of those societies.¹ One such pattern may be termed reciprocity. Since a definite type of structure is necessary for an integrative pattern to assert itself, reciprocity involves a symmetrical structure pattern in which there is reciprocal gift and counter-gift exchange among kinship, geographical, and other groups.²

A second type of integration is one which involves a centralized structure pattern in which the goods produced are collected--or rights over their disposal obtained--turned over to some central authority for storage, and eventually redistributed on the basis either of religious and conventional values or arbitrary judgment. The scope of such action may range from the nation, tribe, or clan down to the family unit. Such an economy may be classified as a redistributive economy.³ A third form of integration is that of exchange and this necessarily involves some kind of market structure. A market system is an economy in which the production and distribution of goods and services is controlled, regulated, and directed solely by markets.

* At the outset, the senior author would like to acknowledge the intellectual debt owed by him to his friend Karl Polanyi, formerly Professor of General Economic History at Columbia University and currently co-director of that university's "Interdisciplinary Project on Economic Aspects of Institutional Growth". Some of the theoretical constructs expressed in this paper bear the imprint of his stimulating and provocative notions. Needless to add, however, neither the particular formulations employed nor the conclusions and results arrived at can be attributed to anyone but the writers, who accept full responsibility for its contents.

1. It should be noted that for purposes of analysis such integrative patterns are to be thought of as "pure" or "ideal" types. In any study of an empirical economy, there always will be found elements of other patterns than the predominant one.
2. Reciprocity implies some degree of leniency since goods rarely exchange because they are "equal" in value. An excellent illustration of gift and counter-gift exchange is to be found in B. Malinowski, Argonauts of the Western Pacific, London, 1922, esp. Ch. 3, "The Essentials of the Kula".
3. As can be seen, there is a disjunction between the production and distribution of goods under such an economic system.

Sociologically these integrative patterns are institutionally distinct and bear quite different relationships to their political and social integuments. Reciprocity and redistributive economies are distinguished by the fact that their economic systems are embedded in social structures which are organized primarily by the institutionalization of patterns other than those of maximizing net advantages. The individual is incorporated in role systems other than the occupational one where immediate gratifications and collective attachments and loyalties are very important. E.g., the constitution of the kinship system on the basis of biological relatedness at once narrowly limits the relevance of achievement and efficiency patterns. Under such systems, the economy and economic roles are not segregated out from the other sub-systems of the society and remain a function of the latter in which they are contained.⁴ The system produces goods and services and distributes them in consonance with the motivations and collective goals and values which the whole societal structure fosters in the individuals composing that society. The economic needs of the members are taken care of by their families, clans, and political units. There is no such thing as the individual *qua* individual except in the rarest of cases; he is at one and the same time a member of a broader social unit and his wants are not only determined socially but provided for by the social group of which he is a part. Most primitive, ancient, and medieval societies have had reciprocity or redistributive economies, or some combination of the two,⁵ characterized by some form of group or tribal responsibility.⁶

A market system, on the other hand, requires a different set of institutional arrangements before it can function satisfactorily. In the first place, the dominant value system of such a society must lay great stress upon "economizing" behavior.⁷ In this way economic rationality becomes that value system appropriate to the economy as a sub-system of the society; it is institutionalized in the economy and internalized in personalities in their economic roles.⁸ In a

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4. K. Polanyi, The Great Transformation, New York, 1944, p. 49.
 5. In those primitive and ancient societies where the two are found together, redistribution has usually been the internal, and reciprocity the external, integrative pattern, although the interpenetration of both is a much broader phenomenon.
 6. This is not to imply that these societies have been homogeneous ones. In fact, most of them have been stratified communities characterized by unequal distribution of income and wealth. See R. Thurnwald, Economics in Primitive Communities, London, 1932, p. 108.
 7. Value refers to any item of a culture which makes a statement about action and, at the same time, possesses these major features: (1) selection of alternatives, and (2) category of desirable. An institution is defined as a system of norms or values, that is, rules of conduct regulating behavior.
 8. A role is an organized pattern of performances and rewards organized around the actor in the social system under examination. It involves a set of complimentary expectations concerning his own actions and those of others with whom he interacts.

society which institutionalizes "scarcity" economic interaction will take place in the context of maximizing net advantages. For this type of orientation to prove effective, however, a second set of conditions becomes imperative, namely, that the economy as that sub-system of the society producing utilities or generalized facilities for disposal by the latter must be segregated out from the other social structures which are organized primarily around different institutional patterns stressing particularistic and diffuse values. Unless such orientations can be effectively excluded from an occupational role system emphasizing instrumental and universalistic behavior, the latter cannot develop to a high degree of specialization. It is out of the question for a role system stressing choice and "scarcity" to be effective when fused with or embedded in a kinship structure whose goals and values stress such immediate gratifications as love and loyalty and familial obligations, and segregation of the former from the latter becomes all the more necessary if one remembers that freedom of mobility is essential to its proper functioning. Similarly there must be a separation of the economy from the political structure with the latter's emphasis upon power and authority and their allocation. Obviously maximum economic "efficiency" is incompatible with a social structure geared to influencing and controlling the actions of individuals and where evaluation of such individuals takes the form of assessing their contributions to political goals rather than to technical achievements *per se*.⁹ In summation, for "economizing" to take place over a broad range of economic activity it becomes incumbent that: (a) the major value system of the society as transmuted through the economy be one stressing rational, instrumental orientation of actors within the system; and (b) that the economy as one of the major sub-systems of the social order be differentiated out from the other cognate sub-systems so that the values and institutions under (a) will be given a clear priority and divorced from the value-orientation patterns and institutional conditions to be bound in the other social structures.

Though this is not the place for an extended comment, the 18th and 19th centuries bore witness to the emergence of such institutional conditions and, with them, to the development of a unique historical phenomenon, an exchange system apart from rather embedded in a network of other social relationships. This system with its instituted values of "economizing" and maximizing net advantages followed essentially independent laws of its own which revolved around the operations of a supply-demand-price mechanism. For it to function satisfactorily, the economy itself had to be differentiated out from the other social structures so that the factors of production would be relatively "free" to perform instrumental roles, and this could only be accomplished by bringing them within the orbit of purchase and sale. Thus land, and all that was grown on it, which had served historically as man's native habitat as well as his means of subsistence, was made subject to the laws of supply and demand and given a "price". Man himself was "uprooted" from his social moorings along with such alternative reservation demands as might have impeded his entry into the labor force and interfered with his mobility and became a fictitious "commodity" with his individual and familial existence dependent upon the price he was able to obtain

9. Talcott Parsons and Neil Smelser, *Economy and Society*, Glencoe, 1956, Ch. 2.

for his services.¹⁰ He was left entirely to the mercies of an impersonal market mechanism whose institutional system provided no room for state intervention and social control.¹¹

The 20th century has witnessed the results of so "artificial" a system. Almost immediately, the reaction of the laborer was to be found in his self-identification with other workers in such voluntary economic and social organizations as trade unions with an ethos substantially different from the values to be found in the market. Almost immediately, the reaction of the employer was to substitute monopoly for competition in the hope of protecting himself from the impersonal forces of the market system and controlling in some measure the prices of his product. With the further development of the market economy, both employers and employees turned to the one social agency powerful enough to aid them in their struggle for the security denied them by the impersonal forces of the market, the modern state. The former appealed to the state to seal him off from the competition of his international counterparts--he appealed for tariffs and other types of restrictive legislation. The latter appealed to the state for beneficial labor legislation to protect him from the vagaries of the market. Even the last of the rugged "individualists", the farmer, has been forced to turn to the state for protection in the form of parity arrangements and agricultural price supports. The 20th century has borne witness to this almost universal desire to "escape from freedom"¹² and the formal values of a competitive system, to reintegrate anew oneself and the economy into the social whole.

A case study of Ancient Greece is interesting and instructive from the point of view of the conceptual framework described above. For most of the period under observation we witness the gradual dissolution of the tribal system with its collective responsibilities and the growth of new social and economic patterns centering around "individualism" and "exchange". While there is no emergence of a market system in the ideal sense postulated in this paper, some of the conditions necessary for its development do emerge with many of the sociological implications described above. The integrative patterns of the tribality

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10. This relatively recent and dramatic turn of history has led one writer to state, therefore, that "land, labor, and capital as 'agents' of production, as impersonal, dehumanized economic entities, are as much modern inventions as the calculus." Robert L. Hellbroner, The Worldly Philosophers, New York, 1953, p. 20.
 11. For an excellent analysis of the forces giving rise to these conditions, see Polanyi, op. cit., Chs. 15-16.
 12. The title of a most interesting book by the noted cultural psychoanalyst, Erich Fromm. In fact, it is in many ways the psychological counterpart of the institutional critique advanced in this paper. For example, in discussing modern man, Fromm says: "It is the thesis of this book that modern man, freed from the bonds of pre-individualistic society, which simultaneously gave him security and limited him, has not gained freedom in the positive sense of the realization of his individual self... Freedom, though it has brought him independence and rationality, has made him isolated and, thereby, anxious and powerless." Escape from Freedom, New York, 1941, viii.

having more or less collapsed after Homeric times, Attic man acquires a rather distinct individuality at the same time becoming more and more responsible for his own economic fortunes.¹³ While the tribal emphasis upon status and the social values concomitant with it would not have afforded a favorable arena for the exercise of such initiative, the "individualism" of later times does. The ordinary Attic smallholder finds himself increasingly alone and exposed to the "peaceful" economic acquisition of the period and out of the process social tensions arise and "class conflicts" are generated. The social stasis of the time is resolved only when he becomes reinvested in the polis, or city-state, which brings with it a new form of collective responsibility and substitutes its own redistributive patterns for those previously prevailing in the Homeric era. At least this is the authors' interpretation of the factual data of the period covered by this paper and now presented for consideration by the reader.

Ancient Greece

During the second millennium B. C., the social and political organization of the native (Pelasgic) populations occupying the lower approaches of the Greek peninsula and its adjacent islands was disturbed by the southward migration of the Achaean tribes. The latter cultivated their lands in a more or less sporadic fashion constantly exposed as they were to the danger of being driven out and deprived of their possessions by invaders who could overpower them.¹⁴ Under such chaotic conditions plunder, piracy, and violence were the common methods of wealth accumulation and maintenance. The chief was the main repository of such wealth, at the same time providing for the subsistence needs of his poorer followers. The use of force to obtain wealth and sustenance under such conditions entailed no social condemnation; rather the social ethic of the period considered accumulation through such methods honorific.¹⁵

The essential features of these early life patterns appear to be insecurity, lack of peaceful intercourse, and a constantly shifting population. Apparently no conception of common identity had as yet crossed the threshold of consciousness of the Achaean tribes. They appear to have been oblivious to their shared cultural and linguistic affinities. By the middle of the millennium, the Achaeans appear to have consolidated their hold on the peninsula and continued to dominate it until shortly after the Trojan War, when their supremacy was weakened by the southward migration of the Dorians, who first conquered then settled the Peloponnesus.¹⁶

It is the political, social, and economic organization of these Achaean tribes in the period spanned by the Trojan War and immediately thereafter that is depicted in the Homeric Epics. In fact, they furnish us with the most

13. Thucydides, The Peloponnesian War, Book I, Ch. 2. Unless stated otherwise, all primary material mentioned subsequently has been translated from the Greek into English by the authors.

14. Ibid.

15. Ibid., I, 5.

16. Ibid., I, 12.

substantial account of these peoples of antiquity. It is important, therefore, for the purposes of this paper, to examine in some detail the organization of Homeric society.

Most Achacan tribes appear to exhibit a large measure of uniformity with respect to their political institutions. At the head of the tribe was the king (*Βασίλευς*) whose authority in matters of war seems to have been absolute, whereas in other respects his exercise of power was to some extent modified by the interposition of other elements of social direction and responsibility. Directly below the king in the political hierarchy was the council. The latter was composed of the various noble heads of influential families and large landowners. Age and experience as desirable social traits requisite to high political status may be seen from the appellation applied to these individuals, namely *gerontes*, or old men.¹⁷ The base of the political structure consisted of the assembly, an aggregation of the citizenry-at-large. It was not a democratic body in the sense that it was empowered to enter upon substantive discussions and the formulation of resolutions binding upon the king and nobility,¹⁸ but was rather a common meeting place in which announcements of collective import were made or where military messages and information was received. The interpretation has been offered that the assembly might have been used by an astute king "as a means of gauging public opinion".¹⁹

Socially the life of a member of these early Greek collectivities involved successive layers of fealty and responsibility, to the *genos* or extended family, to the phratry, and to the tribe.²⁰ This strong feeling of collective solidarity is attributable to interpenetrating kinship ties as well as to the presumption of a common ancestry frequently traceable to some mythical progenitor.²¹

It must not be assumed, however, that extreme egalitarianism pervaded the social structure of ancient Greek society. If anything, there is much evidence of social differentiation based upon considerations of birth and land ownership. At the base of the social pyramid were to be found the slaves, an essentially alien element forced into this status through captivity. Above them were located the broad masses of the population; beyond the latter were a small class of "ordinary" persons, the *hetairoi*, whose higher social status was the result of certain affiliations with the nobility. The latter, in turn, were primarily large landowners wielding both economic and political power. At the summit of the pyramid there stood, of course, the king.²²

17. The same social attitude may be observed in later Sparta, where one of the deliberative assemblies, or "Councils of State", was designated as the *gerousia*, i. e., one composed of the "oldsters" of the state.

18. B. E. Hammond, *The Political Institutions of the Ancient Greeks*, London, 1895, pp. 23ff., for an exposition of political institutions in tribal Greece; also A. Andrews, *The Greek Tyrants*, London, 1956, p. 10.

19. A. G. Keller, *Homeric Society*, New York, 1902, p. 265.

20. A. E. Zimmern, *The Greek Commonwealth*, Oxford, 1911, p. 67.

21. G. Grote, *A History of Greece*, London, 1846, Vol. I, p. 165.

22. Keller, *op. cit.*, pp. 268ff.

Agriculture and stock-raising were the main occupations of the Homeric Greeks with hunting representing the vestigial remains of the older nomadic habits. Cattle, swine, sheep, and goats were the common animals. The ownership of horses was the exclusive prerogative of rich and noble families. Most of the necessities were produced directly in the self-contained household (*oikos*) which supplied not only food, but clothes, furniture, agricultural implements, and footwear.²³ Work carried with it no invidious distinctions or social odium. On the contrary, even the nobility and kings worked and were proud of their achievements.²⁴ While the houseless-hired workers in the fields received payments *in natura*,²⁵ they as well as the slaves still formed a part of the household as a social and productive unit with treatment modified by custom and religion.²⁶

Externally there were no extensive trade relations at that time since commerce was in a most rudimentary state. Such seafaring and other traders as existed were constantly being exposed to hardships both at the hands of hostile people and the elements. When long-distance trade did take place, it usually involved barter and gift exchanges.²⁷ Actually the key to ancient society lay in the use of force and wealth, in the form of treasure, was obtained through forays by land and piracy by sea.²⁸ The treasure was then used to obtain allies for further warlike expeditions through the giving of gifts and bribes. Thus Agamemnon, during the period of the Trojan War in the thirteenth century B. C., having inherited the vast wealth and therefore power of his original forebear Pelops, was able to succeed in collecting an expedition against Troy by offering gifts and bribes to his fellow chieftains, especially the Arcadians, to follow him into battle.²⁹ Similarly, he was willing to offer Achilles, if he would

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23. Thus Alkinous' and Odysseus' households each boast of 50 female slaves attending to such common household chores as weaving, grinding grain, laundering, tending the loom, etc.
24. Thus Odysseus in challenging a suitor, states: "Eurymachus, if there were a match at labor, between us two, upon the grass and in the spring-time when the days are long; I should have a well-curved scythe and you would have, similarly, another, so that we may test our capacity to work, fasting till dark and with grass still in plenty. Or if again we should match at driving oxen--the best, tawny and large--both well-fed with grass, of the same age and of equal strength, and if there would be a field of four 'acres' capable of being ploughed; then you would see me cut an even and unbroken furrow before me." Homer, *The Odyssey*, Book XVIII, 366-375.
25. Keller, *op. cit.*, p. 84.
26. M. Rostovtzeff, *A History of the Ancient World*, Oxford, 1926, transl. J. M. Duff, Vol. I, p. 185.
27. Keller, *op. cit.*, p. 88; also G. Glotz, *Ancient Greece at Work*, New York, 1926, p. 54.
28. *Ibid.*, pp. 48-49.
29. Thucydides, *op. cit.*, I, 9.

re-enter the fray, "seven tripods not touched by fire, ten gold talents, twenty shining cauldrons, twelve race-winning horses..."³⁰ And in the event Ilium was captured, Achilles was offered "seven well-built cities, . . . wherein dwell men abounding in flocks who would honor him like a god with gifts and under his sceptre shall fulfill his injunctions."³¹ Through the use of his treasure, Agamemnon also was enabled to build a far stronger navy than any of his contemporaries, his being the largest contingent in the Trojan War. Thus property acquisition through the medium of warfare was a common undertaking in Homeric times and was looked upon as a "natural" method of wealth accumulation.³²

Internally economic organization centered around the household and the extended family in the form of persons attached thereto who though not a part of the household proper were affiliated with it through the performance of menial tasks. Certainly the household³³ appears to have been a more or less autarkic unit only unwillingly resorting to "purchases" from the outside.³⁴ The question of land tenure in Homeric Greece is not quite settled; there are indications of a mixed system with communal holdings of pasture land and plowland.³⁵ Though there were private land holdings it would be dangerous to infer directly from this the existence of the institution of private property in Homeric society. Thus there is no indication that land and its products were the objects of commercial exchange activities amongst people of different tribes or clans or families. Further, there is no evidence that one could in the normal course of activities alienate himself from the familial holdings. Indeed, as Zimmern points out: "Such holding involved no rights; it simply bestowed duties."³⁶

Of individuals thoroughly disjoined from any familial or household affiliation, the Homeric era knows but few. These were chiefly the beggars whose lot in life was a miserable one. Even they, however, came under the protection of Zeus³⁷ and by custom and tradition were treated with commiseration in their

30. Iliad, Book IX, 264-266.

31. Ibid., Book IX, 291-303 passim.

32. Keller, op. cit., p. 293.

33. The households described in some detail in the Homeric Epics are, as one might expect, those of kings. They appear to have been rather compact, self-sufficient units that evidenced little need to enter into exchange dealings with other economically productive units. Indeed, one of the households described appears to have been truly enormous: Priam, the king of Troy, e.g., apparently had under his roof his fifty sons and their wives, in addition to an unspecified number of daughters. See the Iliad, XXIV, 161-166 and 495-498.

34. Rostovtzeff, op. cit., I, 185.

35. Keller, op. cit., p. 193; also G. Thomson, Studies in Ancient Greek Society, London, 1949, Vol. I, pp. 299-327 passim.

36. Op. cit., p. 282.

37. Odyssey, XIV, 56-58.

wanderings, especially those who through the misfortunes of war or through accident had fallen from a previously high estate and were impoverished. Homeric society as yet had no place for those who "make their own way in the world."³⁸ Such slavery as existed certainly was not due to inability to discharge debt obligations. Indeed "debt" in those days had an entirely different meaning. It might apply to lack of reparations for a raid and due to the injured party or to compensation deriving from the murder of one's relatives, although the latter seems to have been a rare occurrence.³⁹

The above is but a brief review of certain salient features of Homeric society, but it should be sufficient to indicate the strong element of tribal cohesion at the time. This is evidenced by the clearly patriarchal structure pervading its political organization, by common blood ties and assumed common ancestry, by the person of the king to whom the nobility and masses at large rendered unquestioned fealty, especially in situation of crises, and by the apparent absence, intra-tribally, of social tensions or class friction of any considerable extent and intensity. Closely related to the social and religious values of the times and embedded in the social system was an "economy" which operated internally in the form of more or less self-sufficient households headed up by the nobility to achieve the ends of power, gifts being employed as the medium through which the latter was attained. Economically speaking, this of necessity involved a reallocation of the social "product" via extra-economic methods.

Unfortunately, little is known of ancient Greek society in the intermediate period between the Homeric Epics and Hesiod's *Work and Days* (*Ἔργα καὶ Ἡμεραί*), the latter written around 700 B. C. and depicting the conditions of contemporary Boeotian life. The transitional process may be inferred, however, from the type of world and ideas that Hesiod presents to us and from the political and other forms of social organization that also may be observed in these and later times. The incipient individualism of the Homeric period, as exemplified by "private" land tenure, would appear to have been enormously accelerated by the 8th century B. C. with the consequent weakening, if not collapse, of tribal forms of social cohesion. At the same time, the latter was being replaced by a new collectivity, the city (*polis*), which assumes in time increasing significance as a pivotal social, economic, and political unit. In fact, it is in the *polis* and the surrounding countryside that the transition from a tribal to a more universal type of social organization, all but bereft of blood and other kinship ties, may best be seen. Politically, the time of Hesiod is characterized by a process of gradual and continuing diminution of the authority of the king (the tribal patriarch) and the assumption of power by the nobility or *eupatridai*. Kingship is transmuted into an oligarchical aristocracy of land and birth and the rather tight and patriarchal (in the tribal sense) organization witnessed in Homer is superseded by a more diffuse exercise of power. Further the compactness of the clan is shorn asunder and plunder as a major method of wealth acquisition is interdicted by new ethical precepts. Hesiod in this respect offers us a glimpse of the new social concepts, practices, and social values. To repeat, his world is notable for the emergence of a strong, in some aspects aggressive individualism in the pursuit of economic affairs. In this sense, he may be spoken of as the recorder of the end result of the process of detribalization up to his time. Some excerpts from his *Erga kai Hemeraí* should serve

38. Zimmern, *op. cit.*, p. 84.

39. Keller, *op. cit.*, pp. 99, 285.

to illustrate the momentous changes which Greek society had undergone from the days of the "heroic monarchies" of Homer. Thus he states:⁴⁰

For when a man desires to work for having seen another who has become rich, he hastens to plow and plant and put his house in order; neighbor tries to rival neighbor hastening to be rich; this strife is good for men.

O Perses bear these things in mind, listen to justice and entirely forget all violence.

He is the best of all men who on all things thinks for himself.

But you, taking heed of our injunction work, noble Perses, so that hunger may abhor you... for hunger is altogether concomitant with him who does not work.

It is by work that men become rich in flocks and gear...

To work is not shameful, rather not to work is shameful.

Wealth violently acquired is not good; god-given wealth is by far better.

For if you add little to little and do this often even that will become great.

Work foolish Perses the works that the Gods ordained for men, lest some day with wife and children and anguish of soul, you seek livelihood amongst thy neighbors and they disregard you.

And I urge you (to find a way) to resolve (your) debts and avoid hunger.

Further evidence concerning the continuing radical changes taking place in Greek society may be inferred from the Draconian legislation, presumably written around 621 B.C. Draco's laws concerning homicide are of special significance. It appears that Attica at this time was plagued by blood feuds among the various families and clans. These feuds arose out of the religious belief that a killed man's spirit cried out to his kin for vengeance, and if not satisfied, the spirit had the power to harm the kin of the dead man who had failed him in the discharge of their obligations. Draco, in fact, interposed the state as a factor in the prosecution and dispensation of justice to the homicide. Though not totally displacing the family and clan in the performance of such functions, his laws "are a skillful compromise between the claims of the family and of older religious ideas on the one hand, and a more enlightened morality and more active state intervention on the other."⁴¹

The change in the direction and interrelationships of economic pursuits with the further weakening of tribal ties and the emerging emphasis on individual accumulation and wealth led to grave problems for a society that had been accustomed in the past to some forms of collective responsibility, collective welfare,

40. The following excerpts are identified in order of their occurrence: 20-25, 274-276, 293, 298-302, 308, 311, 320, 361-362, 397-401, 403-405.

41. J. B. Bury, S. A. Cook, F. E. Adcock, eds., The Cambridge Ancient History, New York, 1926, Vol. IV, p. 31. Hereinafter referred to as CAH.

and even collective hardships. Evidently social tensions between the rich and poor were steadily increasing as the individual was left almost entirely to his own devices. Loans were being secured on the debtor's person, and the land was owned and controlled at this time by a minority of noble landowners. By the end of the 7th century B.C., the poor were well on the way to becoming the serfs and slaves of the rich. The situation is tersely depicted by Aristotle as follows:

...there was civil strife for a long time between the nobility and the common people. For the political setup was entirely oligarchical and the poor and their wives and children were the slaves of the rich...all the land belonged to the few...and if [the poor] did not pay their rent they and their children were liable to be sold into slavery.⁴²

The fact that the hectemoroi, or poor tenant farmers, were obliged to pay one-sixth of their produce to the large landowners appears to have left them very little for their own subsistence, leading, in turn, to further debt and the subsequent inability to discharge such entailed bondage.

The emergence of debt bondage in the midst of a "racially" pure and homogenous society such as exemplified by the Athenian polis and its native citizens is interesting, because it betrays, to the authors at least, two convergent processes: (a) the continuing process of removing the remaining vestiges of tribalism from the ancient Greek populace, and (b) the logical extension and culmination of an individualism in the pursuit of economic affairs as yet unfettered by social controls. Population increases, coupled with private land tenure, tended to press on the available supply of land in Hellas, a region certainly not renowned for exceptional land fertility. In fact, the scarcity of good agricultural land may well explain the intense migratory movements of the Hellenes in the 8th and 7th centuries. But while relieving the pressure on the land, these movements added impetus to the process of detribalization.

To Hesiod the plight of his contemporaries seems somewhat perplexing. Injustice and inequality, poverty and hunger, most of the ills of his day he attributes somewhat naively to "crooked judgments" or "gift-devouring kings". Interspersed with this, however, is the recognition of the power differentials that govern the relations between the peasant and the landowner. The latter situation is forcefully depicted in his parable of the hawk and the nightingale as follows: "A far stronger than you holds you in his grasp, and you must go wherever I take you well though you sing. I will make a meal of you if I please or let you go. He is a fool who tries to withstand the stronger."⁴³

Certainly economic individualism, with its twin corollaries, individual poverty and individual wealth, both "achieved" without recourse to violence or war, did not abruptly descend upon the Greek populace, nihil per saltum facit natura. Yet the culture of ancient Greece had not as yet devised any satisfactory means to cope with these new social forces and the modes of social organization and power relationships that are implicit in their unrestricted operation. Even so, at the time of Hesiod land was still generally considered to belong "to

42. Aristotle, op. cit., Ch. 2.

43. Work and Days, pp. 203ff.

a family in the narrower sense rather than to an individual."⁴⁴ The latter, though possessing a life interest in it, did not as yet feel free to alienate his possessions. Apparently a set of social values and beliefs interdicted such action. Hunger and debts are mentioned by Hesiod, but not the loss of land.

Later when this set of values suffered the attrition of time and exigential circumstances involving, *inter alia*, a larger population, scarcer land resources, the absence of primogenetic arrangements, and the further weakening of collective ties, it becomes possible in Attica to divest oneself not only of one's ancestral land possessions but even of one's own personal liberty. Not very long after Hesiod, debt bondage appears in Athens. It would seem that the sentimental bonds underlying the belief in common immediate ancestry, blood ties, and kinship rapport are either absent or quite powerless to obviate the practice of enslaving one's fellow "tribesman" and, if need be, even selling him abroad to satisfy his creditor's claims.

Under these circumstances, it is sometimes alleged that the introduction of coinage and the transition from a "natural" to a "money economy" is responsible for the phenomena that called forth the Solonic reforms.⁴⁵ Thus Adcock states:

Between the days of Hesiod and the days of Solon lies a great change due to the invention and spread of coined money. The old days of barter are now coming to an end and the peasant must more and more exchange his produce for coin while the prices are fixed by powers beyond his understanding and control. If he lacks the new medium of exchange, he must buy it or borrow it. . . . But the peasant discovers new needs without the means of satisfying them, and upon him falls the chief stress of the new epoch. In any case Attica was bound to find the strain greater than most Greek states, for the balance of trade was against her. . . . If the Athenian nobles were to keep abreast of their neighbors. . . they must find even more things to sell abroad for money, even the corn the Athenians needed to eat, even, if need be, the Athenians themselves.⁴⁶

This is a remarkable passage, if only for its extremely modernistic bias. One cannot make any sense of the statement "while prices are fixed by powers beyond his comprehension and control", except on the presumption that the author is implicitly assuming some type of purely competitive economy on the scale of the economist's model, in other words, a market system with its automatic supply-demand-price mechanism. All this initial "theorizing", it will be observed, is founded on nothing more nor less substantial than the slender factual basis of the introduction of coined money. Certainly the introduction and use of the latter in no way involves of necessity the instituting of a market system. Institutionally, the two can and in many cases have been found to be quite distinct.⁴⁷

44. CAH, Vol. IV, p. 42.

45. For such a representative statement, in addition to the one presently to be quoted, see Rostovtzeff, *op. cit.*, pp. 200, 218.

46. CAH, Vol. IV, pp. 32-33.

47. See Karl Polanyi, Conrad Arensberg, and Harry Pearson, eds., Trade and Market in the Early Empires, Glencoe, 1957.

Secondly, there follows the equally remarkable statement that the peasant has discovered new needs without the means of satisfying them. What these needs are we are not told. What revolution in the mode of life of the individual peasant could have been responsible for these new needs? On this vital question, anichthytic silence is maintained. Thirdly, there is implicit in the above quotation a Veblenesque conception of invidious comparison which is then adduced as the motivating force for the greediness of the rich and their enslavement of the poor. The latter must, of course, predicate a radical change in social values, in what is considered socially permissible and what is not. But only when sufficient individuation and estrangement have occurred in the interpersonal relations of the members of a collectivity should we expect to encounter such a phenomenon. To explain this merely on the basis of the introduction of coined money is to engage in the worst of "money illusions". Further, the linking of coined money with "foreign trade" does not appear to the authors to come to grips with the problem. In the passage cited, the alleged magnification of wants of the Attic peasant is bound to long-distance trade, otherwise the mention of an adverse balance of trade for Attica is inexplicable. But the articles that entered into this sort of trade were either valuable raw materials or luxury and art products.⁴⁸ We simply cannot assume that there was a wide popular demand for such products at the time, and indeed it seems highly plausible that the goods composition on which the farmer or tenant depended for his livelihood did not as yet flow into market-oriented channels.⁴⁹ Turning from the peasant

48. Johannes Hasebroek, *Trade and Politics in Ancient Greece*, London, 1933, transl. L. M. Fraser and D. C. MacGregor, pp. 49-50.

49. Only by the middle of the sixth century B.C. has the *agora*, or local market, begun to make its appearance in Athens. It is spoken of by Herodotus in his *Persian Wars*, New York, 1942, transl. George Rawlinson, Bk. I, pp. 17-18, and is mentioned also in the pseudo-Aristotelian *Oeconomica*, where the market of Athens is contrasted to the Persian and Spartan economies, which were still operating under what we have termed here redistributive systems. See *The Works of Aristotle*, ed. W. D. Ross, London, rev. ed., 1921, transl. E. S. Forster, X, 1344-45. Even the existence of such local markets at this time, however, should not cause one to fall into the same errors as those "modernizers" who see in them a self-regulating, autonomous supply-demand-price mechanism which not only equates the supply of and demand for goods but brings labor and land into the market and, therefore, draws the whole of society into the market economy. The simple fact is that the stalls of the local market were only open to the Athenian citizenry, and the market was used mainly by the poorer citizens who could not earn a livelihood from the land. It was a small place, and its activities were controlled by the city-state through numerous officials, sales taxes, and other devices. As for international "trade", not before the third century B.C. was the mechanism of the modern market discernible in grain and slaves in the open port of Delos. On the latter point, see Polanyi, "Aristotle on Economic Matters", in Polanyi, Arensberg, and Pearson, *op. cit.*

In terms of the broad hypothesis postulated in this paper, it would be convenient to accept the thesis of the "modernizers" at its face value and relate the introduction of coined money and the implicit assumption of a market system to the economic and social distress of the period. Needless to add, such an evaluation would not only be intellectually dishonest but institutionally misleading.

to the landed aristocracy, and even assuming a "commercial" spirit on their part which led to the cultivation of vineyards and olive groves for export purposes,⁵⁰ it is difficult to see why the latter was the cause of the social distress of the period. It would still have to be demonstrated that the smallholders' wants had increased which, combined with a growing population in a country with a scarce supply of good land, had then precipitated the difficulties--in which case the latter and not the appearance and use of money in trade would be the decisive cause of the distress. At this point, it should be made clear that the authors are not alleging that the introduction and circulation of coined money in 7th century Attica had no effect whatever on the life and fortunes of the Attic farmer. What is being brought forth for consideration is the fact that the appearance of coined money in itself cannot be made the divisionis fundamentum in the evolution of his fortunes and tribulations. The introduction of money merely added another dimension to his relationships with his wealthier neighbors or his landlords, but certainly did not change the fundamental nature of these relations. Certainly lending and borrowing could have and indeed were conducted previous to this time in natura, and correspondingly, debt arose from the failure of the smallholder to pay rent in kind due the large landowner.⁵¹ In summation, there is no detailed demonstration on the part of the "modernizers" as to how the introduction of money in the absence of any other more profound disturbance of the life patterns and social values of contemporary Attica could have led ultimately to debt bondage. So far as the authors can see, the latter was primarily the resultant of the dissolution of tribal bonds and the continued growth of individualism and individual responsibility in the pursuit of economic affairs with the concomitant emergence of private property and the important right of alienation of such property. That this hypothesis may have more explanatory relevance than the one previously quoted may be seen from the following admission by Adcock who, in the midst of maintaining his thesis concerning the economic effects attendant upon the transition to a "money economy", significantly adds: "There may have been a time when even the peasant's land was not his to pledge as it was really the common property of his clan. This stage had passed in Attica; private property had taken its place and now the peasant's land might be surety for him."⁵²

As one might have expected, the institution of debt bondage proved most unpalatable to the Athenians. It created enormous tensions and a determination to remove at all costs the institution giving rise to the social conflict. To many Athenians their relegation to an inferior status appeared to be the most objectionable feature of the whole situation. Thus Aristotle states: "But so far as

50. According to Hasebroek, the Athenian nobility looked upon trade as inferior occupation, and its actual operations were entrusted to the metics, or alien residents. Op. cit., pp. 17, 22-23.

51. Indeed Aristotle refers to civil strife and the phenomenon of debt bondage as going on for a long time after the Cylonian affair. Op. cit., Ch. 2. Since the latter apparently occurred in the middle of the 7th century and the introduction of coined money is also placed at the beginnings of the same century [it is usually assumed that the Lydians were the first to coin money. The first coins were probably made by Gyges in 697 B.C. See G. A. Barton, Archaeology and the Bible, Philadelphia, 1916, 162-63], the two phenomena would appear to exhibit too close a temporal proximity to be accepted uncritically in terms of a causal relationship between them.

52. CAH, Vol. IV, p. 34.

most of them were concerned the most unbearable and hateful feature of the political situation was their serfdom."⁵³ The struggle erupted into class conflict and the demand for social and economic change through political reform. Thus "the many being the serfs of the few, the people rose against the nobility and the strife being violent, and having fought each other for a long time, they chose, by common consent, Solon as their conciliator and archon."⁵⁴ Or in Plutarch's version:

... they engaged their body for the debt and might be seized and either sent into slavery at home or sold to strangers; (this caused) some... to flee their country to avoid the cruelty of their creditors; but for the most part the bravest of them began to combine together and encourage one another to stand to it, to choose a leader to liberate the condemned debtors, divide the land, and change the government.⁵⁵

It was Solon who, through the program of economic, social, and political reforms bearing his name, attempted in 594 B. C. to resolve the social stasis threatening the very foundations of Attic society.

Politically Solon abolished the alleged right of the nobles to be elected archontes by virtue of birth. Aristocracy gave way to timocracy, the population being divided into four classes on the basis of property qualifications. To the class of pentacosiomedimnoi (literally the five-hundred-measure-men) belonged those who had an income from their property of five hundred measures. The class of knights (hippeis) included those with incomes of three hundred measures. Below them stood the zeugitai with incomes of two hundred measures, and below the latter the thetes with incomes of less than two hundred measures. The first three classes monopolized the magistracies while the thetes, excluded as they were from the holding of all state offices, nevertheless were to be admitted to the Assembly and could serve on juries.⁵⁶

Socially Solon attempted to weld the polis into a compact entity. He sought to inculcate in the consciousness of every Athenian the thought that he was a member of the same social body and, as such, had a profound obligation both to his fellow citizens and the welfare of his city. Thus Solon enabled anyone who wished to, to claim redress on behalf of an injured party. In fact, the latter is listed by Aristotle as one of the three "most democratic measures of Solon."⁵⁷ And Plutarch on the same subject has the following to say: "...intending by this to accustom the citizens, like members of the same body, to resent and be sensible of one another's injuries."⁵⁸ Another of Solon's measures aiming in the same direction was a law "which disfranchises all who

53. Aristotle, op. cit., Ch. 2.

54. Ibid., Ch. 5.

55. Plutarch, Lives, New York, transl. John Dryden et al., p. 104.

56. Aristotle, op. cit., Ch. 7.

57. Ibid., Ch. 9.

58. Op. cit., p. 108.

stand neutral in sedition; for it seems he (Solon) would not have anyone remain insensible and regardless of the public good and, securing his private affairs, glory that he has no feeling of the distempers of his country; but at once join with the good party and those that have the right on their side..."⁵⁹ These social reforms certainly would appear to bear witness to the placement of checks upon the individualism of the period and the substitution for the disintegrating forms of tribal cohesion those of the polis with the consequent forging of the latter as the paramount social collectivity. Certainly it seems plausible to expect that under an operating tribal system, such matters merely would have been part of its social control mechanisms, while its apparent dissolution left no central agency to check the social anarchy of an "unfettered" individualism. Hence the social need for a reintegration of Athenian society at this time under the leadership of the polis.

The boldest of the Solonic reforms were economic in nature and prohibited loans secured on the debtor's person, cancelled all existing debts, both public and private (seisachtheia, or shaking off of burdens), and provided for the liberation of those already enslaved for debt defaults. For those who were sold abroad, provision was made for their repatriation to Athens.⁶⁰ Also trade was given an aura of respectability along with the social class primarily responsible for carrying on such trade, namely the metics, or resident aliens, who hitherto had been excluded from citizenship and the ownership of real property.⁶¹ Henceforth the immigration of artisans was to be encouraged and citizenship was eventually to be granted them provided that they settled in Attica permanently with their families.⁶²

The Solonic reforms were clearly middle-of-the-road in character. Politically Solon never intended to throw all the offices open to the common people nor to make them masters of the new political order. This is seen clearly from his remark, "The common people will best follow the leaders when they are neither given license nor when they are unduly restrained; for satiety breeds superciliousness when excessive well-being comes to men lacking sound judgment."⁶³ Economically the reforms satisfied neither the poor, who had expected a redistribution of the land, nor the rich, many of whom suffered impoverishment through the cancellation of debts.⁶⁴ Liberal and forward-looking as the new constitution was, it did not establish Athenian democracy. Economically its "welfare" aspects were initiated under the reign of Peisistratus and the Peisistratidai while politically it awaited the advent of Cleisthenes.

59. Plutarch, op. cit., pp. 108-109.

60. Vide Solon's poems quoted by Aristotle, op. cit., Ch. 12.

61. Hasebroek, op. cit., p. 23.

62. CAH, Vol. IV, p. 45; also G. W. Botsford, Hellenic History, New York, 1939, p. 76.

63. Vide Solon's poems quoted by Aristotle, op. cit., Ch. 12.

64. Ibid., Ch. 11.

Peisistratus, who was considered to be the outstanding advocate of the common people,⁶⁵ came to power shortly after the Solonic reforms as the leader of the Hill men or Hill party (*ἑτάκται*), those dissatisfied shepherds and lower estate farm elements who had been disappointed in their expectations of land redistribution under Solon. Upon assuming power, Peisistratus proceeded to exile certain hostile and recalcitrant nobles, confiscated their estates, and, according to Adcock and others, divided the land among the poor and landless.⁶⁶ Further, he levied on the land a tax of five or ten percent of the produce and used the resulting revenues to advance money to the new smallholders, thereby enabling them to initiate the cultivation of vineyards and olive orchards.⁶⁷ Finally under the Tyrannis, a grand scheme of public works was embarked upon "to furnish employment" and to "relieve the pressure on land".⁶⁸ Peisistratus also appointed "circuit" judges who made the rounds of Attic villages⁶⁹ and even himself undertook, according to Aristotle, to adjudicate disputes in his frequent excursions into the countryside, so that people would not have to come to the city, thereby neglecting their farm chores.⁷⁰

The element of collective responsibility appears to have been quite strong under the Tyrannis. Indeed, the peaceful conditions obtaining during its tenure, the benevolent concern exhibited by the regime for the citizenry, the absence of economic and social distress led to a very sympathetic recollection of Peisistratus in the memory of later Athenians, so that his tyranny was spoken of as the "Golden Age".⁷¹ Whether the general tenor of the Peisistradidean regime emanated from a conscious philosophy attributable to the social values of the past and aiming at some creation of a "welfare" state, or whether his measures were dictated by mere political expediency designed to solve the social and economic problems of the times, in this manner perpetuating the reign of himself and his sons, is not clear. In any event, there are those who discern a close parallelism between the Rooseveltian New Deal of the 1930's in this country and the reforms instituted under Solon and Peisistratus.⁷² Whatever the differences in the causes responsible for the inception of these measures in the United States and in ancient Athens, strong social forces were engendered in both cases militating against the discontinuance of this state of affairs and actuating further steps in the same direction.

65. Vide Solon's poems quoted by Aristotle, op. cit., Chs. 13 and 14.

66. CAH, Vol. IV, p. 37; also Botsford, op. cit., p. 78, and E. M. Sanford, The Mediterranean World in Ancient Times, New York, 1938, p. 154.

67. CAH, Vol. IV, p. 66; also Aristotle, op. cit., Ch. 16, and Sanford, op. cit., p. 154.

68. F. B. Marsh, Modern Problems in the Ancient World, Austin, 1943, p. 27.

69. CAH, Vol. IV, p. 66.

70. Aristotle, op. cit., Ch. 16.

71. Ibid.

72. Marsh, op. cit., pp. 10-28 passim.

Cleisthenes, who assumed the leadership of the Athenian state in the "fourth year after the overthrow of the tyranny" is generally regarded as being the father of Athenian democracy. From the point of view of this paper, his reforms are significant inasmuch as they appear to have had for their major purpose the diverting of the loyalty of the Attic population from a genealogical basis to one based solely upon territorial considerations. Hitherto, membership in the citizen body had involved membership in the phratries and the clans.⁷³ Cleisthenes sought to disassociate these clans altogether from the political system. Thus he abolished the ancient four tribes in which the Athenian population had hitherto been divided, replacing these with ten tribes based solely on territorial considerations.⁷⁴ He admitted to citizenship people who were not of pure Athenian ancestry and decreed that hereafter men should address one another not by their patronymics but by the names of their demes "so that the newly established citizens should not be exposed."⁷⁵ It would appear that the principle of kinship as the fundamental bond of social organization was completely displaced and considerations of locality became primary. Thus the designation "tribe" became an empty term, devoid of emotional or kinship implications, and the Council of the state was now selected from among the new ten tribes through a process of drawing lots.

The ultimate political result of the reforms instituted by Cleisthenes was to make the *demos*, i. e., the bulk of the citizenry, the master of the destinies of the Athenian state. Thus Cleisthenes completed the immense reformation of Athenian society which had its beginnings under Solon. In fact, the new configuration of social forces and circumstances, coupled with the lack of fertile land in Attica, led roughly some hundred years later to an imperialist state which, among other things, attempted to maintain the economic standards of its citizenry. Some inferential evidence supporting the latter assertion may be elicited from the following passage of Aristotle, who demonstrates how the Athenians used the Delian League to their own advantage.⁷⁶

73. *CAH*, Vol. IV, p. 142.

74. *Ibid.*, p. 144, also Aristotle, *op. cit.*, Ch. 21.

75. Aristotle, *op. cit.*, Ch. 21.

76. The Delian League or Delian Confederation was founded shortly after the end of the Persian Wars in 478 B.C. for the purpose of providing collective defense on the part of the Greek cities against future barbarian invasions. For this purpose, assessments were made on the participant states, the proceeds being deposited in the Treasury at Delos. Eventually the Athenians as the strongest naval power in the Confederation assumed the leadership of the League and removed the Treasury to Athens in 454 B.C. Much of the tribute paid was usurped by the Athenians under the pretext that the maintenance of their navy, the bulwark and deterrent to Persian aggression, was a costly undertaking. Grundy advances the view that the navy provided, among other things, for the alleviation of the "unemployment" problems of Athens. See G. B. Grundy, *A History of the Greek and Roman World*, London, 1926, pp. 170-173. Similarly, Marsh states: "The Confederacy had solved for Athens, temporarily at least, any problem of unemployment which she may have had at home." *Op. cit.*, p. 47. And Botsford concludes: "Payment for public service and for public works required a large state income; the empire's tribute provided this. It is easy to understand then why the Athenian Democracy was imperialistic." *Op. cit.*, p. 152.

...they also enabled the masses to live comfortably; for, through the contributions made by the allies, and the internal levies and taxes, more than 20,000 men were maintained. For there were 6,000 judges, 1600 archers and 1200 cavalrymen, 500 Councilmen and 500 dockyard guards; and in addition 50 guards of the Acropolis, 700 state officials at home, and approximately 700 abroad. In addition, when they later went to war, there were 2500 hoplitai, twenty guardships and other ships carrying the guards, that is, the 2000 men selected by lot. Finally there were (those at) the Prytaneum, the orphans and the jailers; all of these persons received their maintenance at public expense.⁷⁷

Thus it would appear that even in "normal" times the Athenian state maintained at public expense well over 13,000 men, with 12,500 of these actually enumerated by Aristotle. In addition, there were the others "at the Prytaneum, the orphans and the jailers" for whom no specific figures are given.⁷⁸

Conclusion

Essentially and in broad historical outline, we find in Homeric times and prior thereto a more or less distinct form of tribal organization. Tribal unity is based on a presumed common ancestry frequently traceable to a mythical ancestor. Religious and other values tend to reinforce the prevailing social patterns. The economy appears firmly embedded in the social structure of Homeric Greece and within the extended household a redistributive pattern obtains. Externally, seizure of wealth through pillage and violence appear to be commonly accepted features of economic accumulation and are essentially collective undertakings.

Between the time of the Homeric Epics and that of Hesiod there would appear to be a slow historical disintegration of the predominant patterns with the consequent emergence of individual responsibility and individual attempts at wealth accumulation in a peaceful manner. The process itself predicates for its success a substantial dissolution of the tribal nexus and of man's "freedom" from the tribal bonds of fealty. The individual begins to emerge from his tribal integument. That the latter is not an unmixed blessing, however, may be seen from the picture painted of his time by Hesiod. His world, sociologically, exhibits an individualism in the area of economic pursuits coupled, at the same time, with the general recognition that the condition of the small landholder is one of bellum omnium contra omnes. Further historical

77. Aristotle, op. cit., Ch. 24.

78. The magnitude of these operations may be better realized when one considers these figures in conjunction with the population of Athens at approximately the same time. The population figures refer to a point in time between the inception of the Delian League and about 450 B.C. with the adult male citizen population of Athens estimated at roughly 40,000 at mid-fifth century B.C. Vide A. W. Gomme, The Population of Athens in the Fifth and Fourth Centuries B.C., Oxford, 1933, Table I, p. 26. It would appear then on the strength of this evidence that well over one-third of the adult male citizen population of Athens was supported by public revenues during peacetime.

evolution brings with it not only the phenomena of mass impoverishment of the smaller farm element and the concentration of land ownership and wealth in the hands of the nobility, but also the emergence of the institution of debt bondage, with its alienation of land and those upon it. All of this is reflected in increased social tensions and strife. Thus, immediately prior to the coming to power of Solon, ancient Attica finds itself at the brink of disaster. The reforms begun by him and intensified by the Tyrannis and Cleisthenes stabilize the situation by ultimately reinstating a mode of collective responsibility, which is at the same time extended on a grander scale than in Homeric times. The place and function of the tribe as the center of fealty and the locus of social responsibility and direction is now assumed by the *polis*. The citizen finds himself enveloped in the latter to the point where his individual life and destinies are inextricably interwoven with that of the city. Economically there is a return to social responsibility and the re-establishment of central redistributive patterns. The latter is evidenced by the abolition of obligations contracted during the period of "unbridled" individualism, the initiation of "public works" schemes, the growth of a "welfare" state, the "taxation" of the wealthy for the benefit of the poor,⁷⁹ and the emergence of a large bureaucratic and military force directly dependent upon state revenues.

The developments sketched herein are certainly not implausible *ex visu* of the hypothesis originally advanced in this paper. Being possessed of little more than fragmentary information on some of the topics dwelt upon, the authors must perforce engage in inferential processes to explain the existing data. While it perhaps would be methodologically inappropriate to appeal to these "facts" for explicit verification of the thesis, nonetheless the authors feel that the phenomena presented are consonant with and explicable in terms of the frame of reference in which they are incorporated.

As may be observed, the writers' approach throughout this paper has been "societal" rather than "economistic". It seems to them that the latter approach sets up an artificial dualism or dichotomy between the economy and the rest of society and, therefore, misinterprets seriously much of ancient, medieval, and even present economic history.⁸⁰ The tendency to look at social

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79. Indeed, the impact of the reforms dealt with in the latter part of this paper may be seen from a work, erroneously attributed to Xenophon and now presumed to have been written by an "old Oligarch" in the last third of the 5th century B.C. The latter laments the fact that the "rascals", i. e., the common people, are enjoying "chorus performances, gymnasia," etc., while the rich foot the bill. Or that only a few rich individuals own private "baths and dressing rooms and gymnasia", while the common people have these built for them at public expense, and, in the main, that "the crowd gets more enjoyment out of them than the few and well-born." Pseudo-Xenophon, *The Constitution of Athens*, I, 13; II, 10.
80. The great merit of Marx' economic interpretation of history lies in its understanding of the 19th century capitalist society with its divorce of the "mode of production" from the rest of the societal superstructure and the great dependence of the latter upon the former. Its great weakness lies in ascribing the same set of relationships to all previous societies, as well as to 20th century cultures. Were one to apply this theory to our

evolution and change only through the rather narrow prism of such things as the "mode of production" or "technology" sets in motion a determinism which oversimplifies the relationship between the economy and the rest of society.⁸¹ The implicit or explicit assumption that the economic system or technology is always primary fails to understand the import of societal cohesion and the fact that throughout most of history the economy and its technology has owed at least as much to the social and cultural pattern as has the society to its economy.⁸² It attempts to open the many different sized doors of that complex which we call society with the aid of only one key and, therefore, although in a different way, is as much at fault as the classical and neo-classical economics which it criticizes. For in the study of society many keys are needed and many different approaches employed before creditable answers begin to emerge. The present paper offers an attempt at one such approach.

Murray E. Polakoff

Phocbus J. Dhrymes

The University of Texas

evolving capitalist institutions as well as to such social phenomena as fascism and laborism, it would be much less useful as a tool of analysis than it was in describing 19th century capitalism. And if one were to employ it to the understanding of Soviet culture, or the relationship between the Soviet Union and the satellite countries, very little could be gleaned from such studies, since the dynamic element in Soviet society is political and not economic. The 20th century has witnessed a partial or full reintegration of the economy into the societal whole.

81. As Professor MacIver cogently puts it: "We cannot conclude that, because the painter is absolutely dependent on his paint-box, the nature of its contents explains the picture. No more can we conclude that the struggle of the artist to earn his living explains it." Society: Its Structure and Changes, New York 1931, p. 491.
82. One of the outstanding discoveries of modern historical and anthropological research has been that man's economy is embedded in his social relationships. He does not act to safeguard his individual interest in the possession of goods; he acts so as to safeguard his social claims. He values material goods only insofar as they serve this end. See M. Mead, ed., Cooperation and Competition Among Primitive Peoples, New York, 1937, pp. 462-466; also C. D. Forde, Habitat, Economy and Society, 1934, p. 465.

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• R E V I E W S •

Economic Methodology and the Significance of the
Knight-Herskovits Controversy

By MURRAY E. POLAKOFF

THE IMMEDIATE STIMULUS in the writing of this article has been the recent publication of Prof. Melville J. Herskovits' book on comparative economic systems.¹ This work, a thorough revision of the author's *The Economic Life of Primitive Peoples*, includes in its appendix a critical review essay of the book written by Prof. Frank Knight after it was first published in 1940, as well as a rejoinder to Knight's comments by Dr. Herskovits.² Both articles, as well as certain sections of the book itself, are of special interest to the writer inasmuch as they specifically deal with the problem of economic methodology as applied to cultures other than our own.

The writer, being an economist, does not feel himself competent to judge the vast amount of economico-anthropological data gathered together by such an eminent anthropologist as Dr. Herskovits in his path-breaking attempt to provide an inter-disciplinary approach to the fields of economics and anthropology. He does feel, however, that the use of certain economic constructs in the analysis of primitive economies calls for suggestions and criticisms on the part not only of anthropologists but of economists as well. Similarly, although Professor Knight has expressed his thoughts on the matter, it might not be amiss for an economist of dif-

¹ Melville J. Herskovits, *Economic Anthropology: A Study in Comparative Economics* (New York: Alfred A. Knopf, 1952). Dr. Herskovits defines "comparative economics" in the broadest sense as a study of the various economic systems of different primitive societies, rather than using the more restricted definition which economists have usually placed upon the term when comparing the system of free enterprise with communist and fascist economies.

The writer is indebted to Prof. Karl Polanyi of Columbia University for first calling his attention to the Knight-Herskovits controversy and for providing him with the necessary analytical tools with which to judge the respective merits of both positions.

² Both articles were first published together in the *Journal of Political Economy*, 49 (April 1941), no. 2. Dr. Knight's critique was entitled "Anthropology and Economics," while Professor Herskovits' rejoinder bore the title, "Economics and Anthropology, a Rejoinder." Succeeding quotations from these two articles will be based on the appendix to Professor Herskovits' book.

ferent economic persuasion to interject his views on the important problem of economic methodology and its application to other economic systems.³ Before going into a critical analysis of their positions, however, it might be well to present briefly the respective viewpoints of the two disputants.

I

THE KNIGHT-HERSKOVITS CONTROVERSY, unfortunately, is one of those academic slam-bang affairs in which both parties, behind the veil of scientific impartiality, hit one another with everything but the Encyclopedia of the Social Sciences.⁴ Both men feel their methodological approaches to be completely at variance—which, in a very real sense they are—and so, even where important agreements are reached, the two are so intent upon their major differences that they fail to recognize their common area of concurrence. Their major source of disagreement—and the only factor they appear able to see in the course of their heated “debate”—can be subsumed under the general heading of deduction vs. induction. The remainder of their disputations are subordinated to this central theme. From the viewpoint of this critique, however, it is not this major difference which is the most important issue—significant as it may be in itself—but rather their common and explicit acceptance of certain “universal and useful principles,” and the implications of such principles when applied to the study of primitive economic systems.⁵

Professor Herskovits’ work is one of the first major attempts to find a *modus vivendi* between the disciplines of anthropology and economics in

³ Since a profession, if not confession, of economic “faith” appears called for, it may be well to explain that the writer falls into that amorphous classification known as institutionalism. That is, the writer disagrees with the *excessive* and *extreme* use of the deductive-abstract approach employed by many of the followers of the neo-classical school. This does not mean, however, that the writer uncritically accepts the theology of any particular school of institutionalism, be it Keynesian, Veblenian, Marxian, etc. In fact, he feels that in many ways price theory is not competitive with, but complementary to institutional doctrine. It seems to him that the former is concerned with the formation of prices and the allocation of resources in a *given* economic situation, while the latter is concerned with a theory of economic progress and development. Also, the continued vitality of price theory—the base of many institutionalists—appears to be due, in part, to the fact that it is part of the institutional complex of capitalist society. The writer is more concerned with developing tools of analysis and testing the consequences of any particular theory than in “lining-up” as a member of any particular school of thought. The latter approach, unfortunately still too common among some present-day economists, appears to be one of the more important reasons for the sterility and lack of progress in the development of economics as a science.

⁴ In all fairness to Dr. Herskovits, it must be admitted that Professor Knight is the major offender on this score.

⁵ Enough has been written around the problem of induction vs. deduction to make unnecessary the writing of still another article on the subject.

the comparative study of economic systems. As such, his conclusions deserve the most careful attention of economists and anthropologists alike. In the third chapter of his book, he lists several reasons why anthropologists, in attempting to utilize the methodology and approach of economic theory have found it confusing and even useless in their analysis of primitive economic systems.⁶ In essence, his reasons boil down to one and the same methodological complaint, to wit, that modern economic theory has relied too much on the use of deduction to the exclusion of the inductive principle.

Professor Herskovits' argument can be summarized as follows: Such conceptions as "economic man," and all it implies, together with the application of modern institutional forms to primitive economies, tacit or otherwise, have no relevance unless such concepts, tested empirically, can be found to exist in primitive cultures. He then goes on to demonstrate that empirically such concepts are non-existent or are completely misleading when applied to primitive economies.

He shows that the "economic man" so fondly drawn by the deductive theorists bears not the slightest resemblance to the real men living in primitive communities. He states:

... to envisage "primitive" men as striving individualistic and non-social, marked by an animal-like striving for food without stability, foresight, or any concept of value was to caricature what even the anthropologist most innocent of any economic training knew.⁷

He then goes on to explain why certain of the other concepts of modern economic theory cannot be taken to have universal validity. He points out that economic theorists have based their definitions and principles solely on data from one culture so that, "from the point of view of the comparative study of culture, the 'laws' derived from these data are the equivalent of a statistical average based on a single case."⁸ But why, it may be asked, is not this "single case" applicable to all societies and cultures? Professor Herskovits answers by quoting Alfred Marshall's famous definition of economics and showing that although Marshall treats the subject matter of economics as "a study of mankind in the ordinary business of life" and that, while this definition is broad enough so as to "easily include the economic organization of any society," nevertheless Marshall's definition is by no means realized for "it soon becomes apparent that this 'ordinary business of life' is essentially a discussion of the phe-

⁶ Herskovits, *op. cit.*, "Anthropology and Economics," ch. iii, pp. 42-64.

⁷ *Ibid.*, p. 54.

⁸ *Ibid.*, p. 45.

nomenon of price and its ramifications into the activities of the market as these concern the motivations behind the production, distribution, and exchange of goods and services."⁹ In other words, Herskovits claims that "Marshall is concerned, in everything but his definition, with just those aspects of our economic system that are seldom encountered in other societies."¹⁰

Dr. Herskovits then goes on to state that the tradition of economic analysis "which studies economic motivation, economic processes, and economic institutions by measuring them in terms of price phenomena has continued to dominate economic thinking, *whatever* theoretical point of view may be held."¹¹ He cites as an illustration Lord Keynes' *General Theory* in which both the latter's dependent and independent variables, namely, the propensity to consume, the marginal efficiency of capital and the interest rate, as well as the volume of employment and national income depend for their precise analysis upon our given institutional structure. Herskovits asks: "Yet how are these variables to be studied in economies where the price-system is absent, where entrepreneurs exist only by definition, and where employment and unemployment are seasonal, regulated by social tradition and not the result of competition for work in the labor market?"¹² He feels that the same restricted approach mark the works of Mitchell and Marx. The former's analysis of business cycles is but "an intensive study of precisely that phase of our economy that, more than any other, is absent outside our own economic system,"¹³ while the latter's economic analysis is "based almost entirely on data drawn from our own society, dealing with problems that arise out of the complex development of the special kind of economic system that has resulted from the invention and development of the machine."¹⁴ He does admit that Veblen and certain of the neo-Veblenians gave "more consideration than either the neo-classical group or the Marxians to economic problems susceptible of investigation in non-machine, non-pecuniary societies,"¹⁵ but feels that the problems which Veblen and his followers are concerned with "touch only

⁹ *Ibid.*, p. 46.

¹⁰ *Ibid.*, p. 46.

¹¹ *Ibid.*, p. 46. Italics mine. The author contradicts himself a few pages later by agreeing, in effect, that Thorstein Veblen's institutional approach to economic problems can be applied more effectively to the study of primitive societies than that of the neo-classicists or the Marxians.

¹² *Ibid.*, p. 47.

¹³ *Ibid.*, p. 51.

¹⁴ *Ibid.*, p. 50.

¹⁵ *Ibid.*, p. 50.

lightly upon the matters which are at the core of economic theory as this is ordinarily expressed in the writings of most economists."¹⁶

Professor Knight, in defending the neo-classical approach from the criticisms of Dr. Herskovits, begins by denying that Alfred Marshall and, by implication, modern economic theorists seek the comparative study of cultures, but apply their techniques only to the modern institutional features of our society.¹⁷ If such is the case, then both men seem to be in agreement in saying that economic theory is only to be applied to our modern institutions. Professor Knight, however, immediately goes on to qualify this statement by explaining that while certain aspects of economic theory centering around business enterprise and organized competitive markets cannot be applied to cultures where such institutional arrangements are absent, nevertheless such general principles as are involved in "maximizing satisfaction" are universals at all times and places. Thus, he says:

Naturally, these less general principles do not apply where the phenomena to which they relate are absent; and, on the other hand, the most general principles are not different in different culture situations—exactly as the principles of mathematics are not different.¹⁸

Professor Knight immediately goes on to emphasize this last point and states:

Economics, in the usual meaning, as a science of principles, is not, primarily, a descriptive science in the empirical sense at all. It "describes" economic behavior and uses the concept to explain the working of our modern economic organization and also to criticize and suggest changes.¹⁹

Contrasts between this concept and actual behavior are interesting in our own and other culture settings, Knight feels, but only as they highlight this normative ideal, that men in general wish to behave economically.

¹⁶ *Ibid.*, p. 50. Dr. Herskovits classifies Professor Clarence Ayres as a neo-Veblenian who, in theory, at least, has continued in the tradition of recognizing the usefulness of a cross-cultural point of view. He criticizes him, however, on the grounds that in practice his work has exhibited a "minimum of ethnographic documentation to supplement the historical, psychological, and philosophical arguments he employs in developing his hypotheses." p. 51. In all fairness to Dr. Ayres, it should be pointed out that he is an economist by profession and not an anthropologist and that, therefore, he must perforce rely upon the latter's field studies and monographic literature to test the validity of his working hypotheses.

¹⁷ Thus he states: "Since a comparative study of cultures was the farthest thing from Marshall's intention, this is sheer nonsense; and our author's own further discussion is a tissue of contradictions." Knight, "Anthropology and Economics," Appendix to Herskovits' *Economic Anthropology*, p. 509.

¹⁸ *Ibid.*, p. 510.

¹⁹ *Ibid.*, p. 510.

Professor Knight further suggests that the need of all social sciences is the clarification of the relations of induction and deduction. With this in mind, he makes this extreme statement regarding economic theory:

. . . (it) is the one social science which effectively uses inference from clear and storable abstract principles, and especially intuitive knowledge as a method. In contrast with it, all other social sciences are empirical, including those which use the word "economics" (or "economic") in their designation. . . . The principles of economy are known intuitively, it is not possible to discriminate the economic character of behavior by sense observation; and the anthropologist, sociologist, or historian seeking to discover or validate economic laws by inductive investigation has embarked on a "wild goose chase."²⁰

Professor Knight then goes on to defend the concept of "economic man" by pointing out that such a concept is "merely an analytical, essentially terminological, device for referring to the economic aspect of behavior, an aspect universal to all behavior insofar as it is purposive. . . ."²¹

There appears to be only one possible way of interpreting the above quotations by Professor Knight, and that is that economic theory contains certain *a priori* concepts which cannot be empirically tested and which have no bearing on actual reality. Theory is reduced to an intellectual game or an academic discussion which ranges far and wide but which never finds nor seeks a relationship between itself and the world of reality. There can be very little contention if this is what Professor Knight has in mind as the function of economic analysis, although it appears to the writer that such a theory would be not only silly but essentially useless. Economic analysis and policy would be based on a normative ideal which does not, nor has ever existed in fact. Such an approach, if seriously considered, must inevitably result in the abandonment of any scientific investigation into economic phenomena. It is this latter point which Professor Harsanyi has in mind when he says:

For what is the pedagogical and analytical purpose of such a construct [economic man, MEP] if not to offer a background against which to project observable economic behavior such as is to be witnessed all about us in our own culture, and thus bring to us a better comprehension of our own modes of economic life? Would Professor Knight hold it advisable to set up a fiction for purposes of illustrating a point, when the point can be adequately illustrated by reference to what actual social groups really do in the way of getting a living and maximizing their satisfactions through

²⁰ *Ibid.*, pp. 511-12. Such a statement must also include those economists who are attempting to validate their hypotheses by reference to empirical data.

²¹ *Ibid.*, p. 512.

the production and distribution of the goods made available to them as a result of the interaction between their natural environment and their technological equipment?²²

The two men, therefore, are in basic disagreement as to the respective roles of deduction and induction in economic analysis. But there is one common area of agreement which has been temporarily lost sight of in the heat of academic battle, namely, the fact that both believe that there is a "universal law" of economics which holds good for all societies, primitive as well as modern. This universal law revolves around an economical (as distinguished from the economic) aspect of behavior and involves, as one of its corollaries, the relating of scarce means to alternative ends so as to maximize total satisfactions. As Professor Knight points out: "Economic activity in the inclusive meaning certainly must include all activity which involves the economy of means, quite regardless of the end or purpose which is in view and motivates the action."²³ Similarly, Professor Herskovits feels that the allocation of scarce means among competing ends, or the economizing process, is a common feature of all societies. The latter begins his discussion of this matter as follows:

Not all of economic theory is by any means as little adapted to the study of societies other than our own as the caricature of the subject drawn at one time or another by anthropologists would have us believe . . . we must allow for the inapplicability of certain aspects of current economic theory to research in non-literate, non-machine, and non-pecuniary societies. Yet we have also seen ample suggestions in the literature of economics for anthropologists to consider.²⁴

These "ample suggestions" basically revolve around "the elements of scarcity and choice, which are the outstanding factors in human experience that give economic science its reason for being," and "rest psychologically on firm ground."²⁵ Thus, "in any society . . . 'the adaptation of means to ends and the 'economizing' of means in order to maximize ends' are a fundamental problem."²⁶ Both men, therefore, share this common belief, although one arrives at his conclusions through *a priori* reasoning, while the other attains it through the observation and study of primitive systems.

²² Herskovits, "Economics and Anthropology: A Rejoinder," Appendix to *Economic Anthropology*, pp. 525-6.

²³ Knight, *op. cit.*, p. 511.

²⁴ Herskovits, *Economic Anthropology*, p. 62.

²⁵ *Ibid.*, p. 3. The first chapter of Professor Herskovits' book is entitled "Economizing and Rational Behavior."

²⁶ *Ibid.*, p. 62.

Dr. Herskovits, however, goes beyond Knight in suggesting that the allocation of scarce means among competing ends is not only a universal, but a *useful* concept for anthropologists to employ in their study of primitive economies. He feels it can provide cultural anthropologists with a theoretical framework which will help illuminate and integrate many of the seemingly disparate elements contained in a mere description of primitive economic systems.²⁷ The implications of this approach for economists and anthropologists alike will form the remaining section of this article.

II

THERE ARE ESSENTIALLY TWO meanings of the word economic," the *substantive* meaning and the *formal* one.²⁸ The former is concerned with material want satisfaction and reflects man's physical dependence upon nature for the satisfaction of his wants. These wants may be tangible or intangible, material or non-material as, for example, the desire for food, shelter, defense, as well as art, education entertainment or religion. The term "material" relates to the means of satisfying those wants and only secondarily to the wants satisfied. The primary emphasis is upon material objects and only incidentally upon those services which satisfy a definite type of man's bodily wants. In this sense, therefore, *all* human want satisfaction is "economic" insofar as it depends upon the disposal of material objects or, as in the case of a definite type of bodily want, even of services only. This substantive meaning of "economic" is, therefore, applicable at all times and places and for every form of empirical economy, but obviously is incapable of throwing much light on the workings of such economies.

The other meaning of "economic" is *formal* and is at the root of the term "economical." Dr. Herskovits does not distinguish between the two meanings and the implications of each in a comparative study of economic institutions. Economical behavior in the sense in which both he and Professor Knight use the term, namely, as the relating of scarce means to alternative ends, is derived from the logic of rational action. The latter is the relating of means to ends, regardless of what those ends happen to be. The logic of rational action, therefore, assumes ends and means and the relating of one to the other. These ends may be and are so diverse as sew-

²⁷ In fact, Dr. Herskovits attempts to employ this approach in his study of various primitive economies but with very little success, the writer feels. The reasons for such failure will be examined shortly.

²⁸ I am indebted to Professor Polanyi for making clear the distinction between these two different meanings of "economic." The following discussion draws most heavily upon his notes.

ing a button on a shirt, opening a sealed envelope, praying for victory in war, etc. Means are anything that are appropriate to serve such ends. The logic of rational action, therefore, applies to a wide diversity of fields and activities and, it should be noted, has nothing to do with economics, in the empirical sense of the term.

Once the postulate of *scarce* means is added, however, the logic of rational action produces a variant which can be called formal economics. The latter relates *scarce* means to *graded* ends. The assumption of scarce means implies the following: a) that there is an insufficiency of preference to achieve ends, or achieve them fully; b) that there is a scale of preference, *i.e.*, that there must be more than one end, and the ends must be distinguished in some hierarchical manner so as to indicate their order of preference; c) that there must be more than one use to means. In other words, given the assumption of scarcity, a scale of preference is needed since only then is allocation of means meaningful. Also, unless the means allows for more than one use, no choice is possible. Since there is rational action, the allocation of scarce means among the alternative or graded ends implies, further, that no means shall be allocated to ends of a lesser order of importance than such ends as would in this manner remain unprovided for. Maximization of total satisfaction, whether for the individual or the society, necessarily follows.

It is this "universal" principle which both Professors Herskovits and Knight have in mind. What Dr. Herskovits fails to realize, however, is that formal economics has, at best, only an accidental relation to an empirical economy since this scarcity principle need have no necessary connection with the sphere of material want satisfaction. It is equally applicable to chess, or the salvation of the soul, as it is to economic life. Even if man's material means were as plentiful as air, "scarce" means would still have to be husbanded in other fields of human activity.

The application of formal economics to our empirical economy gave rise to economic analysis. But formal economics produced such a discipline only because economic analysis reflected, to some degree, the basic institutional features and functionings of the modern empirical economy we know as capitalism. Only when such institutional features as markets and price systems arose, as well as profit-seeking and competition, and only when these features became more or less universal, could there be a *useful* theory. For what was then needed was a discipline that reflected these actual institutional conditions, especially the element of price. The latter was the crucial matrix in the whole institutional structure since the

actual allocation of scarce resources took place through the gainful behavior of individuals in markets which, in turn, resulted in the formation of prices. Thus, the theory of price produced a powerful method of economic analysis since it actually reflected the modern empirical economy.²⁹

What Professor Herskovits has failed to realize is that while the principle of formal economics is *universal*, such a concept can be *useful* only when applied to an empirical economy whose institutions reflect and give meaning to such a construct. But Dr. Herskovits amply demonstrates throughout his book that primitive economies are different from our own precisely because they lack such features as the profit quest, the market and price mechanism, business enterprise, etc., in their institutional structure. Yet such features are indispensable if the "allocation-of-scarce-means-among-alternative-ends" principle is to have any significance as a tool of analysis. In the absence of such institutional arrangements, current economic analysis can be of only negligible help in integrating and illuminating the workings of primitive economic systems. The failure to understand this has vitiated, in large degree, some of the current anthropological presentation of primitive economics.³⁰

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²⁹ It should be stressed at this point that the writer does not feel that there has ever been anything but a rough correlation between economic analysis and the institutional features of capitalism. But the correspondence was sufficiently close, granted certain artificial assumptions, so as to produce a useful tool of analysis. This was especially true of nineteenth century capitalism. The twentieth century has witnessed all sorts of institutional rigidities which have made it increasingly difficult to apply such a theory and still derive general "laws." It seems to the writer that the theory of monopolistic competition and the theory of games reflect these basic institutional changes. Both theories attempt to obtain "piece-meal" solutions in lieu of any general principle which can be, at the same time, *usefully* applied to our evolving economy.

³⁰ It appears to the writer that many present-day cultural anthropologists working in the field of primitive economics are in danger of repeating the errors of some of their predecessors who, when describing primitive societies, used our own culture as a fixed point of reference. The widespread use of the "allocational" principle simply because it is a universal feature of all societies can only lead to the most fatuous and absurd results when applied to cultures where the basic conditions necessary for their useful application are absent.

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