

Politics & Society, 10, 4, 1981

Karl Polanyi's Social Theory: A Critique

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IF current social science can boast of anything remotely resembling a paradigm, then utilitarianism is its leading candidate. This doctrine—whether in the guise of neoclassical economics or game, exchange, or rational-choice theory—assumes the theoretical primacy of individual actors rather than of pre-existent social groups. These actors are conceived to have particular goals that cannot all be equally realized, for men live in a world of scarcity and uncertainty and therefore must select between alternative courses of action. The hallmark of utilitarian theory is that the selection of a course of action will be rational; that is, actors will select that course of action that is the most effective means of realizing their goal.

Sociological theory arose in opposition to these ideas, but it would be pointless to deny that its present standing leaves much to be desired. The gradual demise of its proudest accomplishment, functionalism (in all its varieties), has left no apparently viable alternative to utilitarianism. At least in the United States, much energy has slipped away from theoretical concerns and toward methodological ones.

Simultaneously, utilitarians have been making steady inroads into the territory that sociology had traditionally staked out as its own.¹ When the invaders are economists they are easily recognizable—they speak a foreign tongue and ask different questions—and, as a consequence, can be more easily dismissed. But closet utilitarians have

1. On economic imperialism, see Gary S. Becker, *The Economic Approach to Human Behavior* (Chicago: University of Chicago Press, 1976); and Louis Lévy-Barboua, *Sociological Economics* (Beverly Hills: SAGE Publications, 1979). On the relationship between sociology and economics, see Talcott Parsons, *The Structure of Social Action* (New York: McGraw-Hill, 1937); Mancur Olson, "Economics, Sociology, and the Best of All Possible Worlds," *The Public Interest* 12 (Summer 1968): 96-118; and Brian Barry, *Sociologists, Economists and Democracy* (Chicago: University of Chicago Press, 1970).

been gaining strength even within the sociological profession, and they represent a more serious threat.² To many a die-hard sociological partisan, it must seem as if the Turks are nearing the gates of Vienna.

That sociologists have not capitulated in their struggle against utilitarianism is due to their having an important defensive weapon of their own—namely, empiricism. Many social phenomena have not been explained successfully by utilitarians. These phenomena take on special theoretical significance, for they could represent truly anomalous findings in the utilitarian paradigm that might one day lead to its downfall. To some, the work of Karl Polanyi offers compelling evidence for the bankruptcy of utilitarianism and the vindication of the sociological approach.

In 1944 Polanyi published *The Great Transformation*, a book that purported to be nothing less than an analysis of "the political and economic origins of our time."³ Since the world was then convulsed in war, any serious effort to place the dramatic events of the period into a historical framework must have seemed a worthwhile venture to prospective publishers. Nonetheless, there must have been reservations about the Polanyi manuscript. The book was written in a muddled style that precluded a warm reception by the general public. Worse, it was not likely to curry favor among academic specialists, for it blended elements of history, economics, anthropology, sociology, and politics with an audacity usually associated only with Marxism. Marxists for their part could not have been terribly pleased with it, since Polanyi took pains to attack them in addition to more conventional social scientists. All told, *The Great Transformation* appeared to be the kind of book likely to attract hostile notices from nearly all quarters.

In fact, it has become something of a classic. The current paperback version is the fourteenth printing, and interest in Polanyi, if anything, continues to build. The reason for the book's influence is a puzzle in its own right. The author was not well known, either in popular or academic circles, in the English-speaking world. He did not have the legitimacy automatically bestowed by a prestigious academic appointment. Polanyi had for many years been foreign affairs editor

2. See George C. Homans, *Social Behavior: Its Elementary Forms* (New York: Harcourt Brace, 1961); Peter Blau, *Exchange and Power in Social Life* (New York: John Wiley, 1964); James S. Coleman, *The Mathematics of Collective Action* (Chicago: Aldine, 1973); and Richard M. Emerson, "Exchange Theory, Part II: Exchange Relations and Network Structures," in *Sociological Theories in Progress*, ed. J. Berger, M. Zelditch and B. Anderson (Boston: Houghton-Mifflin, 1972).

3. Karl Polanyi, *The Great Transformation* (Boston: Beacon Press, 1957).

of the distinguished Viennese journal, *Der Österreichische Volkswirt* and in 1944 was a resident scholar at Bennington College in Vermont. This was a step up from his previous intermittent lecturing in the extramural departments at Oxford and London universities. But Polanyi had relatively little power in the academic world even after his major work appeared. He did not have much opportunity to train generations of students to go forth and spread his ideas. True, for a short time Polanyi had an appointment at Columbia University, but his position there as an adjunct professor of economics was marginal. Polanyi's scholarship was synthetic rather than original, and his use of evidence was impressionistic at best. In spite of such liabilities, Polanyi achieved something few scholars manage to do: his work has withstood the test of time.

It is possible that the cause of Polanyi's intellectual influence lay in his habit of asking deep questions and then providing the rudiments of a theory designed to answer them. And to some degree *The Great Transformation* anticipated some notable recent developments in social science, including both exchange theory and world systems analysis. It even raised questions currently being addressed at the frontiers of neoclassical economics. But his fame undoubtedly rests on quite another basis. Polanyi has become known as a polemicist on one side of a long-standing debate about the status of a utilitarian theory in social science.⁴ His work has often been used as ammunition in this ongoing debate rather than being subjected to the critical scrutiny it deserves. Because of this, much of Polanyi's importance has been obscured.

In this essay I aim to outline and evaluate the nature of Polanyi's social theory. The argumentation in Polanyi's writings is extremely complex, couched at several different levels of analysis, and presented in no clear fashion. Although his work has been effectively championed by such social scientists as George Dalton and Marshall Sahlins, a detailed explication of Polanyi's theoretical contribution does not yet exist in the literature. Polanyi attacked the utilitarians on three fronts: for their theories of action, institutional change, and social order. His attack on the narrowness of their theory of action is well taken. He also calls attention to the need for a theory of institutional change, even if he does not provide one himself. But most important is his critique of the invisible hand theory of social order advocated

4. For the latest flurry in a very old dispute, see James C. Scott, *The Moral Economy of the Peasant* (New Haven: Yale University Press, 1976), which attacks utilitarian theory; and Samuel L. Popkin, *The Rational Peasant* (Berkeley: University of California Press, 1979), which attacks the sociological approach, especially the work of Polanyi.

by the proponents of *laissez faire*. Although his argument against this theory is telling, like many of the theory's own proponents he nevertheless failed to appreciate that it is not based on utilitarian premises. Thus his major reason for rejecting utilitarian thought—and this is the same reason offered by most sociological critics—is invalid.

THE INTELLECTUAL CONTEXT:
SOCIOLOGY CONTRA UTILITARIANISM

The Great Transformation must be understood as a text both emanating from and contributing to a controversy that has preoccupied social theorists for the past two centuries: The book is a tripartite attack on what Polanyi took to be the utilitarian theories of action, social order, and institutional change as first enunciated by Hobbes and Mandeville, later elaborated by the classical political economists from Smith to Mill, and more recently developed by writers such as von Mises and Hayek. The utilitarian theory of *action* held that man acts rationally to pursue selfish ends that are determined on the basis of certain intrinsic (biologically or psychologically derived) desires. The theory of *social order* advocated by many utilitarians was that by allowing individuals the latitude to freely pursue their selfish interests a stable polity would emerge, as if fashioned by an "invisible hand," in which the welfare of all would be maximized. In Mandeville's noted phrase, private vices become transformed into public virtues. This paradoxical and, indeed, revolutionary assertion rests on the idea that a self-regulating market can serve to cement the social order by establishing reciprocal exchanges among individuals, achieving in the process the most efficient allocation of resources within the society as a whole. Finally, the utilitarian theory of *institutional change* claimed that social institutions evolve spontaneously when they are demanded by particular sets of individuals; social institutions thus result from the initiation of something like a contract between interested parties.

While these ideas first began to be developed in seventeenth-century England, they did not come to fruition even in that country until the adoption of free trade in 1844. Some time thereafter they became the subject of a furious counterattack.

The origins of the academic discipline of sociology are inextricably linked to the critique of utilitarianism.⁵ However much they disagreed on other matters, early sociologists were united in their insistence that individual action was determined by social institutions rather than

5. Charles Camic, "The Utilitarians Revisited," *American Journal of Sociology* 85, no. 3 (1979): 516-50.

psychological dispositions. The importance of normative obligations, derived from societal membership, for individual action is the central axiom of sociological reasoning, distinguishing it in this respect from the atomism of utilitarianism. Marx's insistence that classes, and not individuals, are the principal historical actors is an early and forceful statement of this theme. Sociologists were equally critical about the invisible-hand theory of social order. Durkheim's criticism of this conception of social order was first touched upon in *The Division of Labor in Society*; his polemics against methodological individualism in subsequent works extended the critique. The brunt of Weber's sociology of religion addresses similar themes. However, the most germane attack is to be found in Parsons's *The Structure of Social Action*, a work that appeared only seven years prior to the publication of *The Great Transformation* and that discusses related questions. The sociological critique of the invisible-hand theory of social order, with which Polanyi was in substantial agreement, holds that no mere aggregate of self-interested individuals is capable of establishing and, more to the point, of maintaining social order in the absence of a framework of rules that is, to large degree, accepted consensually by its members.

This is because a social system composed entirely of self-interested actors is soon posed with the problem of inherent instability.⁶ The dilemma can be illustrated by considering the hypothetical case of a simple, year-long contract between two individuals. Assume that this contract is equally in the interest of both actors. Nonetheless, if—as the utilitarian theory of action postulated—these actors are strictly self-interested, once the contract is established it will be in the interest of each of the parties to break it in such a way as to maximize his own advantage. For this reason Durkheim, and later Parsons, argued that a social system composed solely of self-interested actors would degenerate into the anarchic kind of world Hobbes had envisioned as the state of nature.

It follows from this analysis that the maintenance of any social

6. This argument has been immeasurably strengthened by recent work done within the utilitarian tradition. Just as Parsons, who had been immersed in the neoclassical economic approach, came to appreciate its limitations in accounting for institutional variation, so Mancur Olson, in *The Logic of Collective Action* (Cambridge: Harvard University Press, 1965), following out the logic of the neoclassical model, rejects the contractarian theory of social institutions. The argument is simple and elegant. Rational self-interested actors will not join large organizations to pursue collective goods when they can reap the benefit of other people's activity to pursue these ends. This means that the rational actor in the utilitarian model will always be a free rider whenever given the opportunity. Thus, according to utilitarian behavioral premises, social organization is unlikely to arise even among those individuals who have a strong personal interest in reaping the benefits that such organization provides.

order must depend upon the existence of a set of overarching rules of the game, rules that are to some degree obeyed by most actors. These rules serve, among other things, to set appropriate goals of individual action for each member of society and to specify the means by which these ends are to be pursued. However, the specific content of the set of rules, or institutional arrangements, can vary widely from one society to another and from one historical period to another.

Now, once the existence of a set of overarching institutional arrangements is assumed—as it must be in any conventional sociological analysis—this is merely another way of stating that an individual's membership in a society has great consequence for determining his particular course of action. Ergo, the same individual placed in a different social context should act in different ways. The most capable goal-maximizing actor in a particular tribal society will strive to outdo his neighbors in generosity. But place this very same actor in a predominantly market society, and he will turn into something resembling *Homo Oeconomicus*. The explanation for this differential behavior cannot be due to variations in individual characteristics, for in this hypothetical example these have been held constant. It can only be due to the institutional arrangements of the respective societies into which the individual has been placed.

It follows therefore that the expectations drawn from the utilitarian and sociological theories of individual action are considerably less divergent in the case of market than of nonmarket societies. The reason is that the institutional arrangements of market societies in effect *compel* members to vigorously pursue their own self-interest (as the utilitarian theory assumes), whereas these arrangements in nonmarket societies tend to *discourage* this kind of behavior (in contrast to utilitarian expectations).

Thus it is no mere accident that sociological theorists have always looked to precapitalist social forms to vindicate their contentions. Marx's vision included the whole of human history; Weber's economic and religious sociology was principally concerned with ancient Judea and the classical world, China, India, and feudal Europe; Durkheim's last work dealt with Australian aborigines. In each of these cases the relative merits of the sociological position are shown to greatest advantage as against its utilitarian alternative.

Polanyi's major contribution to this debate lay in his application of the logic of the sociological perspective to capitalist societies themselves. In so doing he not only challenged the evolutionary theory of institutional change but also sought to demonstrate that the institutional arrangements of market societies cause them to be inher-

ently unstable. Although this argument was hardly new—Marx and Luxemburg had preceded Polanyi in this endeavor, and Schumpeter's argument about capitalist decline appeared at about the same time as *The Great Transformation*—Polanyi's analysis was based on distinctive premises. The Marxist critique of capitalism rests on the thesis that this mode of production leads to class contradictions that ultimately destroy the social fabric. Schumpeter sees capitalist decline as the result of the routinization and decay of the entrepreneurial engine that alone, in his view, generates rapid economic growth. Polanyi's theory differs from Marx's in that it is more concerned with exchange than production; it differs from Schumpeter's in that it is sociological and ascribes no special role to individuals in social change.

POLANYI ON INDIVIDUAL ACTION:
THE RELEVANCE OF ANTHROPOLOGICAL EVIDENCE

Polanyi's attack on utilitarianism begins, properly, at the beginning—with some elementary postulates about human nature deriving from the sociological tradition. For Polanyi, as for the classical political economists, man is, to be sure, a maximizer. But what it is that he maximizes is socially rather than biologically or psychologically determined.⁷ This stands in marked contrast with conceptions holding that man is motivated to act either by a desire to increase his material want-satisfaction (wealth-maximization) or to fulfill private psychic

7. Evidently Polanyi not only preached against utilitarianism but was the rare man who practiced what he preached. Peter Drucker reports his astonishment at being invited to share Christmas dinner in 1927 with the Polanyi family in Vienna—and receiving the worst meal of his life: old, badly peeled half-raw potatoes without even a trace of margarine with them. Drucker writes,

No one paid any attention to me or to the food. Instead all four, including the little girl, argued vehemently how Karl could earn enough money the following month to pay the bills. The sum they mentioned as being needed was ludicrously small—a fraction of the paycheck Polanyi had just received and actually less than I, living by myself in Hamburg on a clerk trainee's stipend, found inadequate to get by in the most modest style. Finally I could contain myself no longer. "I apologize for butting in," I said, "but I couldn't help but see the amount of Dr. Polanyi's paycheck when we left the editorial meeting. Surely one can live, and very well, on that?" All four stopped talking and were absolutely silent for what seemed an eternity. Then all four turned and stared at me. And all four said, almost in unison: "What a remarkable idea; spend your paycheck on yourself! We never heard of such a thing." "But," I stammered, "most people do that." "We are not most people," said Ilona, Karl's wife, sternly; "We are logical people. Vienna is full of Hungarian refugees—refugees from the Communists and refugees from the White Terror that succeeded the Communists; and a good many cannot earn an adequate living. Karl has proven his capacity to earn. Therefore it is obviously only logical for him to turn his paycheck over to other Hungarians and then go out and earn what we need."

Adventures of a Bystander (New York: Harper and Row, 1979), p. 126.

needs (the balance of pleasure over pain). Polanyi's belief in the mutability of individual motivation is rooted in the empirical materials unearthed by anthropological and historical research:

The outstanding discovery of recent historical and anthropological research is that man's economy, as a rule, is submerged in his social relationships. He does not act so as to safeguard his individual interest in the possession of material goods; he acts so as to safeguard his social standing, his social claims, his social assets. He values material goods only in so far as they serve this end. Neither the process of production nor that of distribution is linked to specific economic interests attached to the possession of goods; but every single step in that process is geared to a number of social interests which eventually ensure that the required step be taken. These interests will be very different in a small hunting or fishing community from those in a vast despotic society, but in either case the economic system will be run on noneconomic motives.⁸

Just as the acquisitiveness of *Homo Oeconomicus* rests on institutional rather than psychological supports, so does the ostensible altruism of primitive man. Consider exchange behavior in the Kula ring of western Melanesia. In this system Polanyi claims that each individual spontaneously offers free gifts to others without the expectation of a quid pro quo. True, the giver anticipates receiving gifts in turn from some other donors, but his own gift-giving occurs in the absence of the desire for personal gain. What motivates individuals to engage in this noneconomic behavior? Why doesn't everyone act as a free rider, as utilitarians would predict, and cause the system to break down? Polanyi's answer is that the generosity of the Trobriand Islanders is in no way altruistic; it is, rather, quintessentially self-interested. But in this society the generous individual maximizes social honor rather than his own wealth:

The individual's economic interest is rarely paramount, for the community keeps

8. Karl Polanyi, *The Livelihood of Man* (New York: Academic Press, 1977), p. 46. This passage illustrates one of Polanyi's principal objections to utilitarian social theory, namely, that it presumes a radical separation of economic relations from all other types of social relations. While conceding that the distinguishing feature of capitalist society is indeed the existence of a wedge separating economy from the polity, he insists that this wedge is both artificial and historically very rare. In consequence he argues for the establishment of a "substantivist" economics, or the empirical study of actual historical systems of exchange, rather than the "formalism" of a political economy that insists upon seeing the world only through capitalist lenses. This distinction launched a great battle in economic anthropology between the "formalists," such as Raymond Firth, *Economics of the New Zealand Maori*, 2nd ed. (Wellington: R. E. Owen, Government Printer, 1959), who saw fit to analyze primitive exchange in essentially neoclassical economic terms, and "substantivists," such as Claude Lévi-Strauss, *The Elementary Forms of Kinship* (London: Eyre and Spottiswoode, 1969), and Marshall Sahlins, *Stone Age Economics* (Chicago: Aldine, 1972), who discussed such exchange from the perspective of the indigènes. But the debate as a whole has produced considerably more heat than light because the proponents on each side have too narrow a conception of economics.

all its members from starving unless it is itself borne down by catastrophe, in which case interests are again threatened collectively, not individually. The maintenance of social ties, on the other hand, is crucial. First, because by disregarding the accepted code of honor, or generosity, the individual cuts himself off from the community and becomes an outcaste; second, because, in the long run, all social obligations are reciprocal, and their fulfillment serves also the individual's give-and-take interests best. Such a situation must exert a continuous pressure on the individual to eliminate economic self-interest from his consciousness to the point of making him unable, in many cases (but by no means all), even to comprehend the implications of his own actions in terms of such an interest. This attitude is reinforced by the frequency of communal activities such as partaking of food from the common catch or sharing in the results of some far-flung and dangerous tribal expedition. *The premium set generosity is so great when measured in terms of social prestige as to make any other behavior than that of utter self-forgetfulness simply not pay.* Personal character has little to do with the matter. Man can be as good or evil, as social or asocial, heinous or generous, in respect to one set of values as in respect to another. . . . The human passions, good or bad, are merely directed towards non-economic ends. Ceremonial display serves to spur emulation to the utmost and the custom of communal labor tends to screw up both quantitative and qualitative standards to the highest pitch. The performance of all acts of exchange as free gifts that are expected to be reciprocated though not necessarily by the same individuals—a procedure minutely articulated and perfectly safeguarded by elaborate methods of publicity, by magic rites, and by the establishment of "dualities" in which groups are linked in mutual obligations—should in itself explain the absence of the notion of gain or even of wealth other than that consisting of objects traditionally enhancing social prestige.⁹

Whereas this is a lucid discussion of the problem of individual action, it is by no means a novel one. It does highlight the critical role played by institutional arrangements as determinants of individual behavior. But just what are these institutional arrangements based upon? At this point Polanyi begins to innovate. Recall that the Marxist answer to this question lies in the concept of the mode of production. Polanyi (less than clearly) rejects this concept as being excessively concerned with the distribution of labor and insufficiently concerned with the distribution of land.¹⁰ Instead, he prefers to locate the sources of differing institutional arrangements in varying forms of economic

9. Polanyi, *Great Transformation*, pp. 46-47 (emphasis mine).

10. Polanyi, *Livelihood*, p. 43. In an age when the intellectual boundaries that delineate Marxism are subject to acrimonious debate (see Michael Hechter, "Notes on Marxism and Sociology in the United States," *Theory and Society* 8, no. 3 [1979]: 377-386), it is difficult to gauge Polanyi's relationship to Marx. Suffice it to say that Polanyi's feelings about Marxism must have been complex. On one hand, he was married to a self-professed Marxist. On the other, he emigrated to the United States during an era when overt identification with Marxism would have severely prejudiced his academic opportunities. Whatever the reasons (and the subject is worth consideration in greater detail), Polanyi took pains to distinguish his own work from Marxism.

integration. These are ideal-typical transactional systems abstracted from the observables of comparative economic history. The forms "designate the institutionalized movements through which the elements of the economic process—from material resources and labor to the transportation, storage, and distribution of goods—are connected."¹¹ Economics may be integrated on the principles of reciprocity, redistribution, or exchange.

Each of these principles represents a distinctive pattern in the movement of goods and services in the economy. *Reciprocity* describes the movement of goods and services between corresponding points of a symmetrical arrangement. In an imaginary diagram, this might be represented by arrows connecting points that are symmetrically arranged with respect to one or more axes.

Redistribution indicates movement toward a center and out of it again. This implies a star-shaped diagram, with some arrows pointing towards the center, and others away from it.

Last, *exchange* represents movement between any two dispersed or random points in the system. This may be visualized as a set of arrows connecting random points, each directed in both ways.¹² (Polanyi's use of exchange to designate only one of these transactional modes is confusing because in effect each represents a different type of exchange system. I will therefore try to avoid his terminology in this respect.)

These forms of economic integration themselves rest on the prior existence of particular social institutions, and once established the forms ultimately single out appropriate motivations for individual action. Thus forms of economic integration are observable features of societies and represent *intervening* causes of differential individual action. The ultimate causes rest on each system's (less observable) institutional determinants, rather than on the psychological characteristics of the actors themselves—such as Adam Smith's propensity to truck, barter, and exchange.

Each form of integration has a specific institutional determinant. Reciprocity is based on the presence of two or more symmetrically placed groups whose members can behave similarly toward one another in economic matters (symmetry). Kinship groups in some tribal societies offer a common example, but Polanyi's favorite illustration is the Kula ring of the Trobriand Islanders.¹³ Redistribution occurs to the

11. Polanyi, *Livelihood*, p. 35.

12. A fourth form of integration, householding (based on the *oikos*), is autarchic, engaging in no out-group exchange (Polanyi, *Livelihood*, pp. 41-42).

13. Polanyi, *Livelihood*, pp. 38-39.

extent that goods, including land and natural resources, are collected in a central place and distributed from it by virtue of custom, law, or ad hoc decisions (centricity). This requires some central authority, be it a chief or state apparatus. Exchange, defined as "a two-way movement of goods between persons oriented toward the gain ensuing for each from the resulting terms," depends on the existence of a market.¹⁴

The forms do not fall into any neat developmental stages. One or more subordinate forms may be present alongside the dominant one. The dominance of a form of integration is indicated by its relative importance for transactions in a given society.¹⁵ Tribal societies are typically characterized by reciprocity and redistribution. Redistribution grew to great importance in the Roman Empire and is increasingly important in advanced industrial states today—especially in the socialist regimes. Although exchange played a significant role in many different historical periods, it only came into its own in the nineteenth century. Its influence has subsequently been on the wane.

Thus there are two separate theoretical tasks set by Polanyi's agenda. The first is to present a theory linking each form of integration with a modal type of individual action. This can then be used to explain why reciprocal and redistributive societies have a capacity for social order, in contrast to market societies. The second is to explain the determinants of symmetry, centricity, and the market. By and large he devoted more attention to the former question than to the latter.

POLANYI ON SOCIAL ORDER: THE FALL OF MARKET SOCIETY

Here Polanyi seeks to demonstrate that the invisible-hand theory of social order under free market conditions is necessarily false.¹⁶ The argument begins with the claim that each form of economic integration is associated with a particular kind of trading relation. Further, differences in trading relations have great implications for the modal types of individual action to be found within any society. Trade in reciprocal and redistributive societies is generally carried out on a collective and noncompetitive basis, whereas in market societies it is both individualistic and competitive. This difference affects the stability of the relationship between trading partners.

14. Polanyi, *Livelihood*, pp. 40-42.

15. Karl Polanyi, "The Economy as Instituted Process," pp. 243-69, in *Trade and Market in the Early Empires*, ed. Karl Polanyi, Conrad M. Arensburg, and Harry W. Pearson (New York: Free Press, 1957), p. 255.

16. For one of the most elegant discussions of invisible hand reasoning, see F. A. Hayek's distinction between *Kosmos* (spontaneous order) and *Taxis* (planned order) in *Law, Legislation and Liberty*, vol. 1 (Chicago: University of Chicago Press, 1973), chap. 2.

The original purpose of trade is to acquire goods not available on the spot. It is something external to the group, and in many traditional societies the trader occupies a distinctive social role as an outsider. Thus trade is similar to activities such as hunts, expeditions, and piratic raids. The point of all these activities is to acquire and carry goods from a distance, but trade differs from the rest in its essential two-sidedness.

Reciprocal integration tends to foster a gift trade between two or more groups.¹⁷ The organization of trading is usually ceremonial, involving mutual presentation, embassies, political dealings between chiefs or kings. The goods traded are treasures and other objects of elite circulation. But contacts between the groups are few and far between.¹⁸ The social function of the gift trade is to draw relationships together, to strengthen the ties between partners.¹⁹

Redistributive societies tend to engage in administered trade, that is, trade between two political units that is guaranteed by treaty. Both import and export trading run through government channels. The state often limits commerce to designated ports of trade. In order to curtail the influence of "higgling-haggling," equivalencies are set out in simple relations. Prices and profit levels are thus determined by negotiation rather than by the laws of supply and demand. As in the case of gift trade the exchange is essentially bilateral.

Both of these types of trade foster the establishment of a sense of community and solidarity:

... exchange, the most precarious of human ties, spread into the economy when it could be made to serve the validation of the community. In effect, economic transactions became possible when they could be made gainless. The peril to solidarity involved in making selfish gain at the expense of the good of one's brother had first to be removed by eliminating the invidious element inherent in such exchanges. This was achieved through the declaration of equivalencies in the name of the representative of the godhead itself. Exchange behavior was made legitimate by establishing the equivalence of that which was to be exchanged. The quality of the Mesopotamian states, by virtue of which they were enabled to achieve this, was honored by men ever after through the recognition of the state as the fount of justice.²⁰

While the economic rationale behind gift and administered trade is for a group to acquire goods not available locally, this is not invariably the case with market trade. Unlike the first two types of trade, market trade is competitive. "Apart from complimentary exchanges

17. Polanyi, *Livelihood*, p. 94.

18. Polanyi, "Economy as Instituted Process," p. 262.

19. Polanyi, *Livelihood*, p. 54.

20. Polanyi, *Livelihood*, p. 61.

it includes a very much larger number of exchanges in which similar goods from different sources are offered in competition with one another.²¹ Only in market trade does this competitive element tend to be generalized to include all exchanges. The purpose of market trade is not only to acquire goods that are unavailable locally, but to acquire all conceivable goods at minimal cost. This implies a necessarily antagonistic element between trading partners:

Higgling-haggling has been rightly recognized as being of the essence of bargaining behavior. In order for [market] exchange to be integrative the behavior of the partners must be oriented on producing a price that is as favorable to each partner as he can make it. Such a behavior contrasts sharply with that of exchange at a set price. The ambiguity of the term "gain" tends to cover up the difference. Exchange at set prices involves no more than the gain to either party implied in the decision of exchanging; exchange at fluctuating prices aims at a gain that can be attained only by an attitude involving a distinctive antagonistic relationship between partners. The element of antagonism, however diluted, that accompanies this variant of exchange is ineradicable. *No community intent on protecting the fount of solidarity between its members can allow latent hostility to develop around a matter as vital to animal existence and, therefore, capable of arousing as tense anxieties as food.* Hence the universal banning of transaction of a gainful nature in regard to food and foodstuffs in primitive and archaic society. The very widely spread ban on higgling-haggling over victuals automatically removes price-making markets from the realm of early institutions.²²

Here then is the key to Polanyi's critique of market society. Since the market relation is defined to be inherently antagonistic it introduces conflict between trading partners. So long as market relations are prohibited in intrasocietal transactions, social solidarity can be attained. But when the internal economy of a group or society is organized on market principles alone, the group cannot long survive intact. The market relation compels individuals to pursue their self-interest to the hilt and penalizes those who act on the basis of some other kind of motivation. But when each member of a society acts solely out of self-interest the social order cannot be sustained for long. This is how Polanyi arrives at the so-called Hobbesian dilemma.

Note that the analysis is reminiscent of earlier arguments by Weber and Durkheim. Weber makes exactly the same point in *Economy and Society*: "The 'free' market, that is, the market which is not bound by ethical norms, with its exploitation of constellations of interests and monopoly positions and its dickering, is an abomination to every system of fraternal ethics. In sharp contrast to all other groups which

21. Polanyi, *Great Transformation*, p. 60.

22. Polanyi, "Economy as Instituted Process," p. 255 (emphasis mine).

always presuppose some measure of personal fraternization or even blood kinship, the market is fundamentally alien to any type of fraternal relationship."²³ And in *Suicide* Durkheim sees the expansion of market relations in nineteenth-century Europe as progressively eroding the individual's social obligations and consequent sense of self-restraint.²⁴ For Durkheim, one inevitable consequence of the trend is pervasive anomie.

Under these circumstances it would be unreasonable to expect the integration of any society to rest on the market principle alone. This is precisely what Polanyi argues. For most of human history, markets were either nonexistent, or, if they did exist, they represented a subordinate feature of trade. Man's economy was typically submerged in his social relationships; in consequence the economic system tended to run on the basis of noneconomic motives. Where markets did develop they were kept very much at bay. Thus, Polanyi argues, the towns in feudal Europe were walled, in part, to keep them from encroaching on the prevailing economic organization in the countryside.²⁵

Yet, by his own admission, for a brief time during the last half of the nineteenth century an entirely new form of social organization came into existence. This form, which he terms market society, was predicated on the autonomy of the self-regulating market. It alone had the kind of institutional arrangements that were advocated by the classical political economists.

While reciprocal and redistributive societies differ in important respects—notably in terms of their internal complexity—they have one key similarity. In each the economic system is embedded in non-economic institutions. This is not so for market society. Hence market society represents a qualitative break with the past, much like the transformation of the caterpillar into the moth.²⁶ The system is made up of a series of self-regulating markets, and it is co-ordinated by market prices alone:

A market economy is an economic system controlled, regulated, and directed by markets alone; order in the production and distribution of goods is entrusted to this self-regulating mechanism. An economy of this kind derives from the expectation that human beings behave in such a way as to achieve maximum money gains. It assumes markets in which the supply of goods [including services] available at a definite price will equal demand at that price. It assumes the presence of money, which functions as purchasing power in the hands of its owners. Production

23. Max Weber, *Economy and Society* (New York: Bedminster Press, 1968), p. 637.

24. Emile Durkheim, *Suicide* (New York: Free Press, 1951), pp. 254-56.

25. Polanyi, *Great Transformation*, p. 62.

26. Polanyi, *Great Transformation*, p. 42.

will then be controlled by prices, for the profits of those who direct production will depend upon them: the distribution of the goods will also depend upon prices, for prices form incomes, and it is with the help of these incomes that the goods produced are distributed amongst the members of society. Under these assumptions order in the production and distribution of goods is ensured by prices alone.²⁷

It follows that there are markets for all factors of production, including not only goods, but also labor, land, and money. The prices for these factors are respectively termed commodity prices, wages, rent, and interest. In market society all incomes derive from sales on the market, and incomes will be just sufficient to buy all the goods produced.

The system as a whole rests on the most delicate equilibrium, and it has definite requirements:

Nothing must be allowed to inhibit the formation of markets, nor must incomes be permitted to be formed otherwise than through sales. Neither must there be any interference with the adjustment of prices to changed market conditions—whether the prices are those of goods, labor, land, or money. Hence there must not only be markets for all elements of industry, but no measure of policy must be countenanced that would influence the action of these markets. Neither price, nor supply, nor demand must be fixed or regulated; only such policies and measures are in order which help to ensure the self-regulation of the market by creating conditions which make the market the only organizing power in the economic sphere.²⁸

This implies the institutional separation of society into an economic and political sphere. The political sphere, the state, must not be allowed to interfere with the normal workings of the self-regulating market. Social order is thus the unintended and spontaneous result of each individual's pursuit of his self-interest. This is the ideological underpinning of the two most important policies of market society: free trade and *laissez faire*. While a state is necessary in order to keep the market system on the tracks—to enforce contracts and keep the peace—its role is more fully circumscribed than in any redistributive society. The limited role of the state in market society represents, for Polanyi, the system's tragic flaw.

This flaw comes about because the turning of labor, land, and money into commodities invariably causes great social unrest:

To allow the market mechanism to be sole director of the fate of human beings and their natural environment, indeed, even of the amount and use of purchasing power, would result in the demolition of society. For the alleged commodity "labor power" cannot be shoved about, used indiscriminately, or even left unused, without affecting also the human individual who happens to be the bearer of this

27. Polanyi, *Great Transformation*, p. 68.

28. Polanyi, *Great Transformation*, p. 69.

peculiar commodity. In disposing of a man's labor power the system would, incidentally, dispose of the physical, psychological, and moral entity "man" attached to that tag. Robbed of the protective covering of cultural institutions, human beings would perish from the effects of social exposure; they would die as the victims of acute social dislocation through vice, perversion, crime and starvation. Nature would be reduced to its element, neighborhoods and landscapes defiled, rivers polluted, military safety jeopardized, the power to produce food and raw materials destroyed. Finally, the market administration of purchasing power would periodically liquidate business enterprise, for shortages and surfeits of money would prove as disastrous to business as floods in primitive society. Undoubtedly, labor, land, and money markets are essential to a market economy. But no society could stand the effects of such a system of crude fictions even for the shortest stretch of time unless its human and natural substance as well as its business organization was protected against the ravages of this satanic mill.²⁹

Thus the state becomes the only institution capable of preventing social unrest by intervening in the market place. It alone is capable of altering the rate of change, of protecting interests made vulnerable by rapidly fluctuating prices.³⁰ In effect, the state becomes the guardian of social solidarity in market society. But its very intervention erodes the self-regulating market and moves the economy toward the redistributive principle and the likelihood of socialism. Market society thus creates a generalized demand for increased state intervention against treating labor, capital, and land as commodities.³¹ Thus the core of Polanyi's critique of the invisible-hand theory of social order had its origins in nineteenth-century sociological thought. But where previous theorists couched their analyses at a highly abstract level, Polanyi was able to marshal compelling new evidence bearing on the problem. *The Great Transformation* aims to explain a set of historical events that appear anomalous from the perspective of the invisible-hand theory, namely, the decline of the self-regulating market in the twentieth century.

It is true that most proponents of laissez faire had little to say about the relatively late development of market institutions in the course of human history. But it was always plausible, if a trifle too easy, to ascribe their tardy arrival to man's ignorance of the laws of political economy. However, once these laws had become known, and once states had made them the basis of their economic policies,

29. Polanyi, *Great Transformation*, p. 73.

30. Polanyi, *Great Transformation*, p. 37.

31. Polanyi, *Great Transformation*, pp. 131-32. If Polanyi were to cast a hero in a play about market society, that hero would have to be the state. His view of the state is curiously Rousseauian: it seems always to be acting in the general welfare. When the Tudors and Stuarts braked the pace of rural enclosure, they were doing so to save the English nation (see p. 76). The problem is how to tell when the rulers are high-minded and when they are not.

how *then* could liberals account for increasing state regulation of economic activity in all twentieth-century societies? The best they could do was to argue that growing nationalism and class struggle in the twentieth century promoted a kind of collective irrationality that eventually won the day.³² But this was an inconsequential argument, since the entire edifice of their economic theory presumes rational action on the part of individuals.

Polanyi had in effect located the Achilles heel of the invisible-hand theory advocated by economic liberals. It is no small tribute to him that the problems at the frontier of current research are similar to those he raised twenty-five years earlier. Why aren't market mechanisms always used to allocate resources in the most capitalist of societies?³³ How can the prevalence of the firm be explained?³⁴ Why does the state play such a decisive role in capitalist economies?³⁵

The self-regulating market system, which according to Polanyi held sway from the 1830s until 1914, rested on a tripartite institutional basis comprised of a competitive labor market, free trade, and the automatic gold standard. Each in its own way is an indicator of the pervasiveness of market exchange. Polanyi seeks to prove his point about the inherent volatility of societies dominated by this principle of exchange by showing that pressure arose within such societies to constrain the free market for labor, to impose protectionist tariffs, and to withdraw from the automatic gold standard.

A competitive labor market was necessary to provide an adequate supply of workers for the rapidly expanding industrial sectors of the economy of metropolitan states. Britain is taken as the key example. Previous legislation had tied workers to the land, thus preventing a market-clearing price for labor. But the relative immobility of labor was an obstacle to economic development. Once labor was liberated from noneconomic obligations it was free to be employed where demand was greatest. Yet for the first time labor also became free to starve.

No sooner was the competitive labor market created in Britain

32. Polanyi, *Great Transformation*, p. 144.

33. Oliver Williamson, *Markets and Hierarchies* (New York: Free Press, 1975); and Douglas C. North, "Structure and Performance: The Task of Economic History," *Journal of Economic Literature* 16 (September 1978): 969-78.

34. Armen Alchian and Harold M. Demsetz, "Production, Information Costs and Economic Organization," *American Economic Review* 62, no. 5 (1972): 777-95.

35. Victor P. Goldberg, "Regulation and Administered Contracts," *Bell Journal of Economics* 7, no. 2 (1976): 426-48; and P. L. Joskow and R. G. Noll, "Regulation in Theory and Practice: An Overview," Working Paper no. 218 (Cambridge: Department of Economics, M.I.T., 1978).

than pressure arose to constrain it. In the first instance this involved agitation for the Factory Acts designed to shorten the working day and to eliminate the competition of low-priced child labor.³⁶ Other movements were initiated to combat the instability of earnings and unemployment that were the by-products of the free labor market. To that end trade unionism in Britain and working-class political movements on the Continent "sought to destroy [the free labor market] and make its existence impossible."³⁷

The diversity of matters on which social legislation regulating economic activity was passed is impressive. Among typical acts passed in Britain were those designed to inspect gas works, to enforce vaccination of workers, to outlaw coal mines with single shafts, to protect chimney sweeps, and to insure that prepared food and drink met minimum standards of quality. Each of these addressed some problem arising out of modern industrial conditions "and was aimed at the safeguarding of some public interest against dangers inherent either in such conditions, or at any rate, in the market method of dealing with them."³⁸

Further, the contention that social legislation arose as a response to the self-regulating market is strengthened by the fact that equivalent legislation was enacted simultaneously in various countries having dissimilar economics, political traditions, and ideological configurations:

Victorian England and the Prussia of Bismarck were poles apart, and both were very much unlike the France of the Third Republic or the Empire of the Hapsburgs. Yet each of them passed through a period of free trade and *laissez-faire*, followed by a period of antiliberal legislation in regard to public health, factory conditions, municipal trading, social insurance, shipping subsidies, public utilities, trade associations, and so on. It would be easy to produce a regular calendar setting out the years in which analogous changes occurred in the various countries. Workmen's compensation was enacted in England in 1880 and 1897, in Germany in 1879, in Austria in 1887, in France in 1899; factory inspection was introduced in England in 1833, in Prussia in 1853, in Austria in 1883; in France in 1874 and 1883; municipal trading, including the running of public utilities, was introduced by Joseph Chamberlain, a Dissenter and a capitalist, in Birmingham in the 1870's; by the Catholic "Socialist" and Jew-baiter, Karl Lueger, in the Imperial Vienna of the 1890's; in German and French municipalities by a variety of local coalitions.

36. Neil J. Smelser, *Social Change in the Industrial Revolution* (London: Routledge and Kegan Paul, 1959).

37. Polanyi, *Great Transformation*, p. 177.

38. Polanyi, *Great Transformation*, p. 146. Because the dates of this social legislation are not presented in the text, it is questionable whether to accept this analysis at face value. If such laws were enacted *before* the advent of the self-regulating market system, Polanyi's explanation would seem a good deal less convincing.

The supporting forces were in some cases violently reactionary and anti-socialist as in Vienna, at other times "radical imperialist" as in Birmingham, or of the purest liberal hue as with the Frenchman, Edouard Herriot, Mayor of Lyons. In Protestant England, Conservative and Liberal cabinets labored intermittently at the completion of factory legislation. In Germany, Roman Catholics and Social Democrats took part in its achievement; in Austria, the Church and its most militant supporters; in France, enemies of the Church and ardent anticlericals were responsible for the enactment of almost identical laws. Thus under the most varied slogans, with very different motivations a multitude of parties and social strata put into effect almost exactly the same measures in a series of countries in respect to a large number of complicated subjects.³⁹

Thus social legislation did not arise from endogenous social conflict: "objective reasons of a stringent nature forced the hands of the legislators."⁴⁰

The second basic principle of market society, free trade, was strongly advocated by Adam Smith as an alternative to previous mercantilist policies. It permitted each country to specialize in the production of commodities for which it had a comparative advantage. This involved nothing less than the creation of an interdependent world economy. According to classical economic theory, the necessary consequence was an increase in the efficiency and wealth of all countries participating in the system. Just as in the case of the labor market, free trade had revolutionary implications. Britain, for example, would have to depend on overseas sources for her food supplies as she came to specialize in industrial production. Only if the grain of all the world could flow freely to Britain would her industries be able to undersell those of her competitors. But the price for this increased economic efficiency was the suspension of all legislation protecting home producers from the effects of foreign competition.

For example, railroad expansion into the periphery and the development of steamships permitted cereal production to spread to new territories. Soon Europe was flooded with cheap imported grain. While this enabled industrialists to keep their wage bill down, it naturally threatened European producers of relatively high-cost cereals. Thus the grain-producing Central European states were compelled to establish Corn Laws in order to protect their peasantry from fluctuations in world market prices.⁴¹ In contrast, the inhabitants of the colonial areas just beginning to be incorporated into the world economy had no means to protect themselves from the world market, for these

39. Polanyi, *Great Transformation*, pp. 147-48.

40. Polanyi, *Great Transformation*, p. 148.

41. Polanyi, *Great Transformation*, p. 182.

territories did not have sovereignty. The colonies were fully exposed to the vicissitudes of the world market; their welfare suffered correspondingly.⁴²

The depression of 1873-1876 was a major impetus for the enactment of protectionist legislation in metropolitan countries as well.

By the end of the Depression, Germany had surrounded herself with protective tariffs, established a general cartel organization, set up an all-round social insurance system, and was practicing high-pressure colonial policies. Prussianism, which had been a pioneer of free trade, was evidently as little responsible for the change to protectionism as it was for the introduction of 'collectivism.' The United States had even higher tariffs than the Reich and was just as 'collectivistic' in its own way; it subsidized long-range railway building heavily and developed the elephantine formation of the trusts. All western countries followed the same trend, irrespective of national mentality and history.⁴³

But the import tariffs of one country hampered the exports of another, forcing it to develop markets in politically unprotected regions or in the colonies. Protection not only interfered with the self-regulating market but laid the basis for imperialist rivalries between great powers. This was to be an important cause of World War I.

Last, free trade also required the establishment of a system of exchange that enabled states with different currencies to buy and sell each other's goods. This mechanism was the automatic gold standard. When a country's balance of payments was favorable, the gold standard posed it no problems. But when the value of imports exceeded that of exports, adherence to the gold standard led to harmful deflation:

Let us envisage the crucial case of transferring one-sided payments from one country to another, such as might be caused by a shift in demand from domestic to foreign types of food. The gold that now has to be sent abroad in payment for the imported food would otherwise be used for inland payments, and its absence must cause a falling off of domestic sales and a consequent drop in prices. . . . Eventually, the spread of deflation will reach the exporting firms and thus achieve the export surplus which represents "real" transfer. But the harm and damage caused to the community at large will be much greater than that which was strictly necessary to achieve such an export surplus. For there are always firms just short of being able to export, which need only the inducement of a slight reduction of costs to "go over the top," and such a reduction can be most economically achieved by spreading the deflation thinly over the whole of the business community.

This precisely was one of the functions of the central bank. The broad pressure of its discount and open market policy forced domestic prices down more or less equally, and enabled "export-near" firms to resume or increase exports, while only the least efficient firms would have to liquidate. "Real" transfer would thus

42. Polanyi, *Great Transformation*, pp. 182-83.

43. Polanyi, *Great Transformation*, pp. 216-17.

have been achieved at the cost of a much smaller amount of dislocation than would have been needed to attain the same export surplus by the irrational method of haphazard and often catastrophic shocks transmitted through the narrow channels of "transactional deflation."⁴⁴

Central banking was therefore another instance of a protective hedge against the self-regulating market. It imposed a centrally managed currency rather than a market-determined one. It decided how to supply credit rather than letting the market decide. The central bank became a buffer between the domestic and the international economy, but as such it tended to interfere with the proper functioning of the international gold standard.⁴⁵

While the function of the gold standard was to provide stable international exchange rates, after the Depression of 1929 it became more imperative to attain a stable internal currency. From 1931 to 1936 one after the other of the major capitalist states abandoned the gold standard. For Polanyi, renouncing the gold standard was a move tantamount to dropping out of the world economy. Thus was achieved the ultimate victory of protection over the self-regulating market.

Now that Polanyi felt he had handily disposed of the invisible-hand theory of social order, he turned his attention, rather haphazardly, to Marxism. The aspect of Marxism he was most anxious to attack insists upon the primacy of class as the universal basis for the development of group solidarity. This tendency leads the unreflective Marxist to assume, almost as a reflex, that every social movement ultimately rests on a class basis. In discussing the social base of the various antimarket movements Polanyi asserts that protectionism was sought by national coalitions that cut across class lines. Thus both capitalists and workers in industries threatened by foreign competition stood to gain by the establishment of protective tariffs.⁴⁶

In fact, one of the book's central contentions is that protectionism, which almost always unites individuals in different classes, was much more important than class-based movements in the nineteenth and twentieth centuries. While he is not unaware of the obvious importance of class in modern society, Polanyi makes a greater contribution as a positive theorist of nationalism. For his analysis of the emergence of an international economy suggests that the major lines of conflict in the modern world divide states within the international system, rather than classes within the states. The real victims of the self-regulating

44. Polanyi, *Great Transformation*, pp. 194-95.

45. Polanyi, *Great Transformation*, p. 195.

46. Polanyi, *Great Transformation*, p. 154.

market system were national economies, and protectionism was their response to this threat: "... protectionism everywhere was producing the hard shell of the emerging unit of social life. The new entity was cast in the national mold, but had otherwise only little resemblance to its predecessors, the easygoing nations of the past. The new crustacean type of nation expressed its identity through national token currencies safeguarded by a type of sovereignty more jealous and absolute than anything known before. . . . If money now avowedly ruled the world, that money was stamped with a national die."⁴⁷ Since both Marxists and utilitarians were avowed internationalists they were ill equipped to explain the rising tide of nationalism that preceded World War I and the rise of fascism.⁴⁸

While many of these ideas are enormously telling, the reader should not be left with the impression that Polanyi has proven his point to any satisfactory degree. The work as a whole is characterized by an extremely casual attitude about evidence coupled with the same lack of bibliographical citation that mars Schumpeter's *Capitalism, Socialism and Democracy*. There is, in addition, a most annoying confusion about proper units of analysis. Too many times Polanyi speaks of "society" as an actor, recalling the worst excesses of Cooley and subsequent group theorists.⁴⁹ Fortunately, it is not necessary to catalogue all of the book's theoretical and methodological shortcomings, as many have been capably discussed before.⁵⁰

However, one important lacuna in this part of Polanyi's argument deserves brief mention here. Previously cited excerpts make it clear that a major cause of the onset of protectionism was the world economic depression that first occurred in the 1870s and recurred after 1929. It could therefore be argued that depression was responsible for the fall of the self-regulating market system, rather than its utilitarian institutional arrangements. Now there may be a causal link between market exchange and the business cycle (as Marxists have long held), but the problem is that Polanyi never draws any such link in his work. In fact, he never discusses the determinants of the business cycle at all. This is a critical gap in his argument, one that leaves its truth value quite indeterminate. Yet, it must be admitted in Polanyi's defense

47. Polanyi, *Great Transformation*, p. 202.

48. This is not to suggest, however, that Polanyi had a specific explanation of the origins of World War I or of the rise of fascism.

49. See Olson, *Logic of Collective Action*, pp. 16-22 for the relevant critique.

50. A. M. Sievers, *Has Market Capitalism Collapsed? A Critique of Karl Polanyi's New Economics* (New York: Columbia University Press, 1949), *Studies in History, Economics, and Public Law*, vol. 553.

that the causes of cyclical trends in the world economy are hardly understood even today.⁵¹

Polanyi was correct to attack economic liberals for their failure to provide an adequate explanation of the fall of market society in the twentieth century. By trying to demonstrate that market society was inherently unstable, he raised an embarrassing objection to the invisible-hand theory of social order.

POLANYI ON INSTITUTIONAL CHANGE:
SPEENHAMLAND AND THE RISE OF MARKET SOCIETY

That this new set of institutional arrangements conquered the world in the nineteenth century also requires explanation. Polanyi gives his reasons for the rise of market society as part of his attempt to demonstrate the inadequacy of the utilitarian theory of institutional change. The position he attacks is both contractarian and evolutionary. According to it institutions arise more or less spontaneously to meet the demand of potential constituents for increased welfare. If there is competition between two rival institutional orders, the one that maximizes economic growth has the best chance to survive.⁵² Hence utilitarians tended to argue that the self-regulating market system offered the best available product, that constituents came to realize its comparative advantages, and that it gradually won the day. "Their [utilitarian] whole social philosophy hinges on the idea that *laissez-faire* [that is, the self-regulating market system] was a natural development, while subsequent anti-*laissez-faire* legislation was the result of a purposeful action on the part of the opponents of liberal principles."⁵³ Polanyi retorts that the rise of the market was not something that evolved naturally; on the contrary, it could only be achieved in the course of acrimonious class struggle. The well-known discussion of Speenhamland is the keystone of this argument.

Land and money in England were made into commodities long before labor. As early as 1601 the Poor Law decreed that the able-bodied poor should be put to work to earn their keep, which the parish—a tiny social unit—was supposed to supply by raising the necessary sums out of local taxes or rates. These were to be levied upon all households and tenants, according to the rental of the land or houses they occupied. Every parish thus had its own provisions for setting

51. For a recent discussion of the issues raised by long-term cycles of world economic activity, see *Review*, vol. 2, no. 4 (1979).

52. F. A. Hayek, *Law, Legislation and Liberty*, vol. 2 (Chicago: University of Chicago Press, 1976).

53. Polanyi, *Great Transformation*, p. 141.

the able-bodied to work, for maintaining a poorhouse, for caring for the aged and infirm, and for the burial of paupers. To meet these expenses every parish devised its own scale of rates. But the possibility of labor mobility posed an immediate danger to relatively wealthy parishes, namely that they would be swamped by professional paupers. To forestall this, the Act of Settlement, which created "parish serfdom," was passed in 1662. This law served to immobilize the rural labor force:

Only with the good will of the local magistrate and the parish authorities could a man stay in any other but his own home parish; everywhere else he was liable to expulsion even though in good standing and employed. The legal status of the people was therefore that of freedom and equality subject to incisive limitations. They were equal before the law, and free as to their persons. But they were not free to choose their occupations, or those of their children; and they were forced to labor. The two great Elizabethan statutes and the Act of Settlement together were a charter of liberty to the common people as well as a seal of their disabilities.⁵⁴

Thus since 1662 labor had been prevented from forming a national market by legal restrictions on its physical mobility. Meanwhile, the Industrial Revolution had created a demand for a national supply of wage laborers. By 1795 industrial interests had managed to repeal the Act of Settlement, and yet their desire for a national labor market was still being thwarted by another piece of legislation enacted in the very same year, the Speenhamland Law.

Speenhamland represented a throwback to the paternalistic system of labor organization as inherited from the Tudors and Stuarts. It provided subsidies to wages (from the Poor Rates) according to a sliding scale that varied with the price of bread, so that a minimum income was assured to the rural poor regardless of their earnings. Under these circumstances, people in the countryside could make a living by remaining in their parish and doing no work at all. The long-term consequences of this law were economically disastrous. Speenhamland led to rapid declines in labor productivity (because workers had no incentive to satisfy their employers, since relief was available to supplement their income), as well as in the level of wages (because employers could deduct the amount of welfare payments from their wage bill). This downward spiral ultimately led to the pauperization of the countryside.

Why was such a law passed after the advent of the Industrial Revolution? Because it was in the interest of the rural ruling class:

Squire and parson ruled the village. A dam had to be erected to protect the village from the flood of rising wages. Methods had to be found which would protect the rural setting against social dislocation, reinforce traditional authority, prevent

54. Polanyi, *Great Transformation*, pp. 87-88.

the draining off of rural labor, and raise agricultural wages without overburdening the farmer. Such a device was the Speenhamland Law. Shoved into the turbulent waters of the Industrial Revolution, it was bound to create an economic vortex. However, its social implications met squarely the situation, as it was judged by the ruling village interest—the squire's.⁵⁵

Polanyi treats the fate of Speenhamland as an indicator of the relative political power of English manufacturing and agrarian classes. If the law's passage in 1795 meant the squirearchy still had the upper hand, its repeal in 1834 signaled the political maturity of the industrial bourgeoisie:

The repeal of Speenhamland was the work of a new class entering on the historical scene, the middle classes [*sic*] of England. Squirearchy could not do the job these classes were destined to perform: the transformation of society into a market economy. Dozens of laws were repealed and others enacted before that transformation was on the way. The Parliamentary Reform Bill of 1832 disfranchised the rotten boroughs and gave power in the Commons once and for all to commoners. Their first great act of reform was the abolishing of Speenhamland.⁵⁶

To be certain, this particular victory was hastened by the pervasive misery that the public eye blamed on laws like Speenhamland.

It is curious that Polanyi takes the class struggle surrounding the birth of market society as evidence against an evolutionary conception of institutional change. Since when does evolution occur in the absence of struggle? More fundamentally, while Polanyi offers an alternative explanation for the rise of market society, this explanation is ad hoc rather than grounded in his own theoretical premises. Market society is seen to be an outgrowth of the complex and expensive machinery of the Industrial Revolution. Expensive machines do not pay unless large amounts of a goods are produced.⁵⁷ But mass production requires a guaranteed supply of raw materials necessary to feed the machines. The best way of assuring an ample supply of the various factors of production is to create markets for each factor. In the absence of such markets specialized machine production is too risky a venture to contemplate.

But the more complicated industrial production became, the more numerous were the elements of industry the supply of which had to be safeguarded. Three of these, of course, were of outstanding importance: labor, land, and money. In a commercial society their supply could be organized in one way only: by being made available for purchase. Hence, they would have to be organized for sale on the market—in other words, as commodities. The extension of the market mech-

55. Polanyi, *Great Transformation*, p. 94.

56. Polanyi, *Great Transformation*, p. 101.

57. Polanyi, *Great Transformation*, p. 41.

anism to the elements of industry—labor, land, and money—was the inevitable consequence of the introduction of the factory system in a commercial society. The elements of industry had to be on sale. This was synonymous with the demand for a market system.⁵⁸

Now, as it stands, this is a very reasonable argument. The problem is that Polanyi never explains the determinants of the Industrial Revolution. Why should nonmarket society (and even mercantilist England is regarded as a nonmarket society by Polanyi) produce complex industrial technology? If the *raison d'être* of reciprocity and redistribution is to promote social solidarity rather than economic growth, then the invention of elaborate machinery requiring a system of mass production for exchange is simply inexplicable from Polanyi's point of view.

Since all his polemical ire is directed toward the self-regulating market, his image of a nonmarket society is undoubtedly too rosy.⁵⁹ It is hard to avoid the conclusion that the rise of the market was made possible only by shortcomings (or contradictions) inherent to the reciprocal and redistributive principles of social organization. But Polanyi is so enthusiastic about his explanation of the demise of the market that he never even sees the outlines of this equally trenchant problem.

POLANYI'S THEORETICAL CONTRIBUTION ASSESSED

Polanyi's attack on utilitarian social theory was three-pronged. He argued, first, that no theory of action based on intrinsic motivation can explain differences between individual behavior in precapitalist and capitalist societies. This was a charge that sociologists had long leveled against their intellectual foes. Although the issue remains controversial, the sociological position—that individual goals (or preferences) are affected and perhaps even molded by the actor's social context—has gained ground even among utilitarians themselves.⁶⁰ True, by making its theoretical apparatus more complex this concession makes it more difficult to refute utilitarian explanations. Difficult but not impossible, and Polanyi's critique is, on balance, very much to the point.

However, the same cannot be said of his discussion of institutional change. By insisting on an historically grounded approach to the rise

58. Polanyi, *Great Transformation*, p. 75.

59. Popkin, *Rational Peasant*.

60. For discussions, see Jon Elster, *Ulysses and the Sirens* (Cambridge: Cambridge University Press, 1979); and, at a more elementary level, Anthony Heath, *Rational Choice and Social Exchange* (Cambridge: Cambridge University Press, 1976).

and fall of the self-regulating market, Polanyi was able to show how vapid is the claim that institutions arise "naturally" to serve society's needs. In his account, both the rise and the fall of the self-regulating market were determined by the competitive struggle of organized groups. But there is nothing in this description per se that challenges utilitarian logic. Indeed, the story could be told in essentially similar terms by most confirmed utilitarians. Further, Polanyi's glorification of reciprocal and redistributive institutions begs a fundamental theoretical question. If these principles of social organization were so well designed to promote the social order, why then did they give way, even momentarily, to the self-destructive principles of the free market? Moreover why is the market as pervasive as it is in the modern world? Is it not more likely that the rise of the self-regulating market was due to productivity limits, or social contradictions, inherent in both reciprocal and redistributive types of social organization? Unfortunately the reader will search in vain for satisfactory answers to such questions in Polanyi's work.⁶¹

Polanyi's most significant contribution is his hard-hitting critique of the invisible-hand theory of social order. Proponents of this theory are at a loss to explain why the heyday of the self-regulating market was so short-lived in human history and why, once established, free market principles were so readily abandoned by all states in the international system. If, as Smith, Mill, and their followers maintained, free market rules are the optimal set of institutional arrangements, then why have they been limited everywhere? Polanyi's resolution of the issue is emphatic: the invisible-hand theory must be dead wrong. Not only are the institutional arrangements of market society not optimal, but they are pernicious to boot—for no social order can long withstand the competitive fury that they invariably unleash.⁶² From this analysis Polanyi concludes (with Durkheim and Parsons) that if the invisible-hand theory is invalid, then the utilitarianism from which it is derived

61. New utilitarian approaches to the problem of institutional change emphasizing transactions costs may be found in Clifford Geertz, "The Bazaar Economy: Information and Search in Peasant Marketing," *American Economic Review*, vol. 68 (Papers and Proceedings, May 1978); Richard A. Posner, "A Theory of Primitive Society, with Special Reference to Law," *Journal of Law and Economics* 23 (April 1980): 1-53; and Douglass C. North, *Structure and Change in Economic History* (New York: Norton, 1981).

62. How could such a fundamentally erroneous conception be held by so many reputable scholars? Polanyi's explanation is that they were led to error by their use of biological theory for the study of man. Polanyi felt strongly (in common with Adam Smith) that biology cannot provide an adequate theoretical basis for the development of social science (see *Great Transformation*, pp. 125-26). For a compelling argument to this effect, see Elster, *Ulysses and the Sirens*, chap. 1.

must also be rejected. In effect, the baby is to be thrown out with the bath water.

Before this conclusion can be accepted, the link between utilitarianism and the invisible-hand theory of social order must be examined more closely. That many prominent utilitarians have held and do still hold to this conception cannot be doubted. A select list of such writers would include J.S. Mill, von Mises, Hayek, Friedman, and Nozick.

However, deeper analysis reveals that the invisible-hand theory of social order is *inconsistent* with utilitarian first principles. In fact, the advocates of the invisible hand theory have misrepresented its utilitarian heritage. Ironically, if this theory rests on any coherent principles at all, it rests on sociological ones. Thus debunking the invisible-hand theory of social order has no logical implications for the general adequacy of utilitarian social theory at all. While this statement cannot be sufficiently defended within the scope of this paper, the gist of an argument, more fully developed elsewhere, will be presented to support my claim.⁶³

Recall that the existence of a moral element obliging members to act according to collective standards of conduct, or norms, is the distinguishing feature of any social order. The more normative compliance a society demands of its members, and can obtain, the more ordered it will be. But under what conditions is normative compliance likely to be achieved? From the perspective of utilitarianism, any theory of social order must explain why individuals comply with societal norms when this compliance interferes with the pursuit of their own selfish goals. From the individual's point of view normative compliance is therefore akin to a tax: why should this tax be paid more readily than any other?

Part of the answer is that social order is a valued benefit. Since it can only be obtained when the great bulk of members is normatively constrained, it is in the common interest of those who desire the benefits accruing from social order to live up to their normative obligations. But this answer violates fundamental utilitarian assumptions. Because the social order is a public good, the rational actor will free ride by not complying with inconvenient norms whenever this suits his fancy. However, if everyone acted thus, then no stable social order could ever be achieved. It follows that if free riding is to be precluded, any utilitarian model must provide for the existence of at least one

63. Michael Hechter, "A Theory of Group Solidarity," in *Choice Theoretic Models in Social Science with Marketing Applications*, ed. Leigh McAllister (Greenwich, Conn.: JAI Press, 1981), a volume in the series *Research in Marketing*.

mechanism that monitors the behavior of members to verify their compliance and another that sees to it that members are rewarded for normative compliance and punished for noncompliance. At the societal level this mechanism can only be the state. Therefore the state must have a place in any utilitarian analysis of social order in market societies, but what kind of place must this be?

Even strict proponents of laissez faire admit that a "minimal" state has to exist: to enforce property rights, including contracts, and all other rules (because it is often in the selfish individual's interest to violate them); to detect and punish violators of these property rights; and to provide certain public goods—ranging from the standardization of weights and measures to the establishment of forces for national defense—that are necessary to promote the collective welfare but that no individual or corporate actor is likely to provide on account of the free rider dilemma. Despite this admission, economic liberals consider such a state minimal, the idea being that it merely acts as a referee among contending players of the game, rather than as a player in its own right capable of changing the rules themselves.⁶⁴ No minimal state has the power to regulate economic activity or to transfer resources from one group of constituents to another.

While this kind of minimal state may conceivably exist at that single point in time when it is first created, there is little reason to suppose it will remain a passive referee for long. Merely by serving its roles as monitor, enforcer of the law, and provider of national defense, the state gathers considerable resources and power to its bosom. This tendency is especially pronounced in market societies, whose institutions significantly increase the extent of individual privacy. The greater the extent of individual privacy, the greater the resources the state must allocate to monitoring, that is, policing, activities. As policing increases, so does the concentration of power in the state's grasp. Similarly, to provide for national defense the state raises military forces for the protection of its borders and its extranational interests. But by the same token this monopoly over the means of violence gives preponderant power to the state apparatus. That this power may be employed within state boundaries as well as beyond them should go without saying.

Thus, even if beginning with laissez faire assumptions, the state in its limited role as guarantor of the rules of the game and upholder of national sovereignty is likely to become the repository of vast

64. James Buchanan, *The Limits of Liberty: Between Anarchy and Leviathan* (Chicago: University of Chicago Press, 1975), chap. 6.

amounts of discretionary power. What is there in utilitarian theory to prevent this powerful corporate actor from pursuing its own selfish interests vis-à-vis the players of the game it is ostensibly refereeing? Why should the state content itself with a purely passive role in society when increasingly it has the capacity to act on its own behalf, or on behalf of others, by "interfering" in the economy or by altering the distribution of income?⁶⁵

There can only be two utilitarian arguments for the existence of social order in the presence of a minimal state, but neither of these is sufficient to explain social order in market societies. The first argument must posit that a society's institutional arrangements produce a situation wherein the individual's interest always coincides with that of the society as a whole. In J. S. Mill's account, this can only be brought about by education.⁶⁶ Yet this is a utopian expectation in market society, for the institutions required to make the market work tend to encourage self-interested rather than altruistic action. The second argument admits that men are likely to be self-interested in all types of societies, but that in settings where privacy is severely restricted—as it is in many primitive societies⁶⁷—the monitoring and enforcing tasks normally undertaken by the state can be subsumed by more informal agencies. But again this is unlikely to occur in market societies because their divisions of labor are so extensive, on one hand, and because their institutions foster privacy, on the other. It can only be concluded that the conception of the minimal state in market society is fundamentally contradictory in utilitarian thought.

65. The reasons why a state may or may not be able to use this power to promote its selfish interests are analyzed in Margaret Levi, "The Predatory Theory of Rule," *Politics & Society*, this issue, pp. 431-65.

66. The happiness which forms the utilitarian standard of what is right in conduct is not the agent's own happiness, but that of all concerned. As between his own happiness and that of others, utilitarianism requires him to be as strictly impartial as a disinterested and benevolent spectator. . . . As the means of making the nearest approach to this ideal utility would enjoin, first, that laws and social arrangements should place the happiness, or (as speaking practically it may be called) the interest of every individual, as nearly as possible in harmony with the interest of the whole, and secondly, that education and opinion, which have so vast a power over human character, should so use that power as to establish in the mind of every individual an indissoluble association between his own happiness and the good of the whole—especially between his own happiness and the practice of such modes of conduct, negative and positive, as regard for the universal happiness prescribes; so that not only he may be unable to conceive the possibility of happiness to himself, consistently with conduct opposed to the general good, but also that a direct impulse to promote the general good may be in every individual one of the habitual motives of action, and the sentiments connected therewith may fill a large and prominent place in every human being's sentient existence.

J. S. Mill, "Utilitarianism," pp. 418-19 in *The Utilitarians* (New York: Anchor Books, 1973).

67. Posner, "Theory of Primitive Society," p. 4.

Thus although Polanyi's attack on laissez faire was entirely justified, the conclusion that he and other advocates of the sociological perspective drew from the attack was profoundly mistaken. The invisible-hand theory of social order is, indeed, a mere utopian ideal for market society. But to argue from this that utilitarianism is thereby flawed (and to retreat into functionalist analysis on that account) is wrong-headed, for the invisible-hand theory of social order is not logically consistent with the premises of utilitarian thought in the first place.

By re-emphasizing the importance of social order in the study of political economy, Polanyi provided a necessary counterbalance to social theories that focused exclusively on conditions promoting economic efficiency. From his perspective, the collapse of the gold standard, the growth of state regulation, and the repeated victories of nationalism over internationalism in twentieth-century history, all represented the solidaristic responses of political units incapable of withstanding the fury of the competitive international market. His work enables us to appreciate the crucial *theoretical* significance of protectionism—whether in the economic, political, or cultural realms—in an interdependent world. Yet, by renouncing utilitarian analysis Polanyi was helpless to explain the dynamics of this very phenomenon whose importance he had so rightly stressed.⁶⁸ We would do well to profit as much from his errors as he did from those of the Manchester School liberals who preceded him.

Karl Polanyi's work has taken on general significance because ostensibly it poses a problem that cannot be answered within the framework of utilitarian theory. However, this paper has argued that the failure of laissez faire is much easier to understand from a utilitarian perspective than its success would have been. It may well be that utilitarianism has serious difficulty explaining certain kinds of social phenomena, but it has no such difficulty with this one. Some day—and the sooner the better—the utilitarian paradigm will come crashing down to be replaced by a more adequate social theory, but when that time comes it will not be for the reasons that Polanyi has advanced.

68. For a promising attempt toward a utilitarian explanation of protectionism see Jonathan J. Pincus, *Pressure Groups and Politics in Ante-Bellum Tariffs* (New York: Columbia University Press, 1977).

Memo from **HANS ZEISEL**

Date _____

Dear Kasi,
Here, with love, is my
article on Karl.

Your son Tommy, who
stayed a few days at our home
was a great pleasure —

Yours

H.

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International
Encyclopedia of the
SOCIAL
SCIENCES

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PRINTED IN U.S.A. 89528

POLANYI, KARL

Karl Polanyi (1886–1964), whose concept of substantive economics did much toward integrating the study of economics with that of society more generally, was born in Vienna and grew up in Budapest. He studied law and philosophy in Budapest and later, for a short while, practiced at the bar. In 1908 he helped found the Galilei circle, a center of the intellectual ferment that provided Hungary with its liberal and socialist leadership during and after World War I and that was to remain effective as a spiritual influence for a long time. After military service, Polanyi moved to Vienna, where in 1920 he met his wife, Ilona Duczyńska, who had played a distinguished role in the Hungarian revolution of 1918. He became foreign editor of the *Österreichische Volkswirt*, then Austria's leading economic publication, comparable in scope to the *London Economist*. Although he never belonged to any political party, he considered the socialist ex-

periment that took place in Vienna between the two world wars to be "one of the high points of western civilization." With the rise of fascism he lost his post and, foreseeing the European cataclysm, moved to England. There he earned his living lecturing for the Workers' Educational Association as an extramural tutor for Oxford University; he traveled and held classes in the small towns of Sussex and Kent. In 1940 he was invited by the International Institute of Education to give lectures on the international situation in colleges throughout the United States.

Between 1940 and 1943 he held the post of resident scholar at Bennington College in Vermont, and there he wrote the first of his two principal books, *The Great Transformation* (1944). He went back to England but returned to the United States in 1947 to become visiting professor of economics at Columbia University, a post he held until his retirement in 1953. In the years that followed, he lived part of the time in New York and part of the time at his little house in Pickering, Ontario. He continued his research in collaboration with a group of younger scholars working in the fields of economics, anthropology, history, and sociology. Together they wrote a symposium volume, *Trade and Market in the Early Empires* (Polanyi et al. 1957).

Polanyi's last years, when he was in his seventies, were extraordinarily productive. His work culminated in a study of the economic anthropology of the west African kingdom of Dahomey during the eighteenth century, posthumously published as *Dahomey and the Slave Trade* (1966). He also helped his wife and a number of Canadian poets with the preparation of an anthology of Hungarian writing covering the period 1930 to 1956 (see Duczyńska & Polanyi 1963). His major concern during his last years was the preservation of world peace. All his efforts were bent on founding an international journal for the comparative study of economics and politics that was to serve the cause of peace. Under the distinguished international sponsorship of Ragnar Frisch, P. C. Mahalanobis, Gunnar Myrdal, Joan Robinson, Hans Thirring, and others, *Co-existence* was founded. Polanyi lived to see the first issue through the press; he was buried on the day the first copies appeared.

Substantive and formal economics. The core of Polanyi's scholarly work was the study of the place of the economy in society—the relationship between the arrangements for the production and acquisition of goods, on the one hand, and kinship, religion, and other forms of organization and cul-

ture, on the other. Since the study of these relationships transcends modern economic theory, Polanyi suggested that it be designated *substantive economics* to distinguish it from *formal economics*. His point was that the word "economic" is used in two very different senses, which must be borne in mind to avoid perceiving all economies—primitive and archaic especially—simply as crude variants of modern industrial ones.

"Economic" in the substantive sense is used by Polanyi as a synonym for "material." For example, when anthropologists talk about the economic aspects of primitive society, they simply mean the arrangements for acquiring, producing, or using material items or services for individual or community purposes. According to this meaning of the term, all societies, whatever their size, technology, or political structure, have an "economic" system—that is, structured arrangements for the provision of livelihood. In the formal sense, "economic" means to "economize" or to be "economical"—to choose among alternatives for the purpose of maximizing output, profit, or gain in exchange; or to minimize the cost of producing something, within the context of material "scarcity," relative to what the economist calls the demand.

In the capitalist, market-integrated economy and in conventional economic theory, the two meanings of "economic" are fused, since in capitalism the market institutions serve both to provide the material means of existence and to enforce economizing activities on the participants: to earn their livelihood people must abide by the rules of the market. Economic theory reflects this separation of the economy from other social institutions by making market transactions almost its sole concern; it has thus become essentially a theory of valuations—of prices and their mutual interdependence. The market economy, however, is a very special case, historically and anthropologically. Preindustrial societies frequently have economies in which the structured mode of providing the means of existence does not consist of economizing institutions. Polanyi's reason for differentiating the two meanings of "economic" was to avoid what he called the "economic prejudice"—that is, the perception of all economies (including the primitive and the archaic) as variants of modern industrial ones, and the translation of all economic institutions into market-economizing terms. He sought conceptual categories which would permit both the analysis of the relation of economic to social organization and the direct comparison of economies.

By confining itself to market phenomena, he

felt, economic theory has become inadequate in two ways: it has removed from its ambit the social organization which links the economy to the cultural, psychological, and political structure of society; and by its exclusive concern with industrial capitalism, it has forced the analysis of other societies into a conceptual framework—in modern terminology one would say "model"—that does not fit them.

Modes of organizing economies. Polanyi's analysis of the uses of money, the forms of external trade, and the role of markets in different economies illustrates how devices that are superficially similar, such as money and foreign trade, have different functions in market and nonmarket economies: the fact that both the Soviet and American economies make use of money, foreign trade, markets, and trade unions does not mean that either these institutions or their underlying organization are the same. This is also true of the structure and function of money, markets, and foreign trade in primitive and archaic economies.

The problem of the place of the economy in society is the main topic of Polanyi's two principal books: *The Great Transformation* (1944), which deals primarily with contemporary society, and *Trade and Market in the Early Empires* (Polanyi et al. 1957), which deals chiefly with primitive and archaic societies and their remnants. In the latter book Polanyi created a conceptual framework for analyzing preindustrial societies in which markets had little significance.

In his view the *market economy* is only one of the three historical modes of organizing economies; the others are *reciprocity* and *redistribution*. Polanyi did not consider his types as evolutionary stages, although some did develop earlier than others. Nor are the types mutually exclusive: in any economy two, and sometimes three, of the types of transactions are usually present, although one type tends to be dominant. In politically centralized primitive societies, such as the Bantu, and in archaic societies—such as the Inca, the Nupe of Nigeria, eighteenth-century Dahomey, the indigenous kingdoms of east and south Africa, and the pre-Christian Middle East—redistribution was the dominant pattern of integration (or transactional mode), but gift giving and market transactions were frequently present. In some economies such as those of the Tiv and the Trobriand Islanders, where reciprocity was the dominant mode of transaction, petty markets were present as well.

Planning and freedom. Polanyi first encountered the problem of the relationship of the economy to society when studying the British indus-

trial revolution; this revolution appeared to him not only to multiply man's wealth but also to threaten the very fabric of society. Polanyi argued in *The Great Transformation* that a laissez-faire capitalistic market economy is not socially viable. The attempt to make the fear of hunger and the quest for profit the governing motives of the economy is socially divisive and humanly destructive. The European and American upheavals of the 1920s and 1930s—communism, fascism, and the New Deal—were emergency transformations of market societies which had become economically and socially intolerable.

Polanyi's theoretical work never failed to be informed by his desire to solve what he considered the crucial problem of modern society: How can society regain control over the forces of the economy that were relegated to the autonomous market during the industrial revolution without abandoning freedom? Modern society, in his view, is to some extent compelled to compel, and he wished to distinguish the economic realms that require planning and control from the cultural spheres that require freedom. Polanyi thus held a modified socialist position, in antithesis to the economic determinism of both the orthodox left and the Mises-Hayek school, both of which are based on the same premise, although they prognosticate diametrically opposed outcomes.

Even the wide range of Polanyi's writings hardly reflects the enormous breadth of his interests in the humanities, in arts and letters, and in the history of the day. It was his custom at the end of a day's work to discuss political events with friends and collaborators, and it was in these informal conversations that the astounding analytical and, at times, prophetic power of his unorthodoxy revealed itself most fully.

HANS ZEISEL

[See also ECONOMY AND SOCIETY; TRADE AND MARKETS.]

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MONTHLY REVIEW

JAN. 1979

**LOOKING BACK ON
THE GREAT TRANSFORMATION**

BY MARIA SZECSEI

Only in recent years has Karl Polanyi's *The Great Transformation* reached Europe—in French, Italian, and at long last in a German translation. Thus one of the seminal books written by an Austro-Hungarian economist and socialist, first published in English in 1944, often mentioned among the hundred most important books of the twentieth century, is beginning to receive serious attention in the countries whose spiritual heritage and political experience decisively shaped its message. Though Polanyi's outlook does not fit into any of the boxes which bear the label of one of the more fashionable currents of contemporary Marxist criticism, he may still have an important contribution to make to the perennial debate within the Marxian "problematic." As there are signs that the post-Marxian renaissance of the sixties and seventies is in danger of exhausting itself once more in scholastic quibbles, this may be the right time for a reappraisal of his most influential work.

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II

*The Great Transformation** is an attempt to link the breakdown of the economic and political institutions of nineteenth-century liberal democracy in the Great Crisis of the thirties to a profound, anthropologically founded critique of capitalist society and of the ideas underlying the model of the self-regulating market. In fact the problems connected with the origin and functioning of markets and the general structural principles of non-market economies remained Polanyi's chief interest as a scholar. It is in this field that in the course of time he made many important contributions to what has come to be called economic anthropology, bringing an enormous amount of research to bear upon the role of markets, exchange, and money in primitive and archaic cultures, especially African tribal cultures.** While he later formalized and refined most of the analytical concepts first used in *The Great Transformation*, he never substantially departed from the more general views of the nature of the social process contained in this book.

Unlike Marx, with whom he shared his moral abhorrence of capitalism as well as the conviction that it will have to give way to some form of socialism, Polanyi placed in the center of his critique not the capitalist process of production and exploitation as producer of mass misery, but the market mechanism as producer of social dislocation. Again unlike Marx, he sees the causes of the necessary failure of capitalism not in the economic laws of motion of capitalist production, but in the incompatibility of pure market relations with the basic needs of society as a whole. In his words:

Our thesis is that the idea of a self-adjusting market implied a stark utopia. Such an institution could not exist for any length of time without annihilating the human and natural substance of

* Originally published under the title *Origin of Our Time—The Great Transformation* (London, 1944). Citations are from the Beacon paperback edition (entitled *The Great Transformation: The Political and Economic Origins of Our Time*), seventh printing (1967).

** See especially Karl Polanyi and Harry W. Pearson (eds.), *Trade and Market in the Early Empires* (Glencoe, Ill., 1957); Karl Polanyi, *Primitive, Archaic and Modern Economies* (New York, 1968); and *Dahomey and the Slave Trade* (University of Washington Press, 1966).

society; it would have physically destroyed man and transformed his surroundings into a wilderness. Inevitably, society took measures to protect itself, but whatever measures it took impaired the self-regulation of the market, disorganized industrial life, and thus endangered society in yet another way. It was this dilemma which forced the development of the market system into a definite groove and finally disrupted the social organization based upon it. (p. 3)

As can be seen from this, Polanyi regards the contradictory tendencies which spring from the necessity of state intervention to mitigate the social evils caused by the dysfunctions of the market system as a constituent element of capitalist development and not, as much current Marxist theory will have it, as a distinctive feature of "late capitalism" in its state-monopolistic stage. A more important point of difference, however, concerns the motivation behind state intervention. For Polanyi, this activity is a sort of social self-defense resulting from various interests, but carried by genuine "countervailing forces," responding to real social needs, whereas in the state-monopolistic interpretation all types of intervention are derived from the "logic" of the capitalist process itself. We will come back to this question later. But even at this point it might be well to remember an often forgotten pronouncement of Marx who called the introduction of the ten-hour day a "victory of the political economy of the working class over the political economy of the bourgeoisie"—a statement more closely related to what Polanyi had in mind than to a straightforward Leninist analysis.

Since all of Polanyi's views hinge on his understanding of the *uniqueness* of the modern market economy, a few remarks on his basic concepts are a necessary introduction to his thought. As a convinced "substantivist" (in contradistinction to formal economics), he regarded the economy as an "instituted process" whereby people in all societies and cultures gain their livelihood. Markets have a very long history as part of this process, reaching far back into primitive cultures; but in all economies previous to modern capitalism they were regulated by, and subordinated to, the dominant structural features of the social system. Thus "non-market economies" are not economies without markets, they are economies where existing markets do not

regulate prices and allocation, therefore society's livelihood does not depend on them. "Reciprocity" (the obligatory exchange of gifts) and "redistribution" (flow of payments—taxes, dues, tribute—toward and out of central authority) are the two chief integrative modes of transaction that can be identified in all pre-capitalist societies, characterized by the fact that exchanges are an expression of social obligation. The decisive step to a market economy is taken only when *land, labor, and money*, in Polanyi's eyes "*quite obviously not commodities*" because not produced for sale, are subjected to regulation by the market mechanism. Classical economics, he contends, needed this fictitious construction of the commodity character of the so-called factors of production as an essential component of a theory justifying economic liberalism. But it follows that Marx, too, allowed himself to be led astray by this fiction when he made the search for a measure of the "value of labor power"—which would be an exact equivalent of the value of commodities—a starting point of his inquiry. Though in this sketchy form—the point is not further elaborated in *The Great Transformation*—the argument may not be quite convincing as a refutation of the labor theory of value, one might easily agree that it points straight at one of the weakest points in this theory.

III

The conviction that an economic order of the special type developed in nineteenth-century Western civilization was an absolutely *unique experience in history* informs and guides all of Polanyi's work. But the concept is not used in the more or less trivial sense in which every historical phenomenon is unique: Polanyi's concern is rather with a special case, a case of "extreme uniqueness," as he expresses it in his plastic language, referring both to the actual institutions of a world-market economy and to the economic ideology to which it gave rise. The pivot around which he builds up this analysis is the distinction between "embedded" and "disembedded" economies. All previous modes of economic organization were, so the argument runs, *embedded in the social system as a whole*. Clearly, centrally planned economies also would belong to the "embedded" type. Only and exclusively in modern capitalism can

we speak of an "economic sphere" separated out from the totality of the social process, that is to say, "disembodied." And only in this context could the idea take hold, entirely unwarranted by fact as Polanyi believed, that human actions are essentially determined by economic motives or guided by economic interest. Never being one to limit himself to cautiously circumscribed statements, Polanyi put this thesis as strongly as possible:

The outstanding discovery of recent historical and anthropological research is that man's economy, as a rule, is submerged in his social relationships. He does not act so as to safeguard his individual interest in the possession of material goods; he acts so as to safeguard his social standing, his social claims, his social assets. He values material goods only insofar as they serve this end. Neither the process of production nor that of distribution is linked to specific economic interests attached to the possession of goods; but every single step in that process is geared to a number of social interests which eventually ensure that the required step be taken. These interests will be very different in a small hunting or fishing community from those in a vast despotic society, but in either case the economic system will be run on non-economic motives. (p. 46)

From this starting point Polanyi develops a fundamental critique of classical or "formal" economics, not going into technical detail, but attacking its basic psychological assumptions—*homo oeconomicus*, Smith's "natural tendency to truck and barter," and all that. Much of this criticism runs along the lines which in recent years have become familiar in the writings of radical political economists in Europe as well as in the United States. Nevertheless it is still worth reading, not only because of Polanyi's distinctive style of reasoning, but also because of the rich anthropological evidence which he presents in support of his arguments. Most vehemently he rejects the notion that all exchanges of goods and services can be interpreted within a model of market transactions, pointing out that similar economic devices (money, trade, division of labor) can play *entirely different social and economic roles in differently organized societies*.

Apart from its immediate application to the critique of economic theory, the uniqueness thesis has yet another, broader

aspect. It is also directed against any kind of economic determinism, characterized as a mere "delusion created by the market economy." Not that Polanyi denies that capitalist society is determined by the necessities of the economic system; on the contrary, he insists that this is the case. But this particular relation between economy and society is regarded as a distinctive feature of a civilization which has allowed its economic system to become "disembedded," whereas in "embedded" economies the controlling structural features are generally non-economic. Quite obviously, these remarks are addressed to Marxism as received and interpreted in the classical tradition. Today, with the appearance of so many ever more subtle versions of the materialist interpretation of history—so subtle in fact that of the formerly dominating categories linked to the base superstructure paradigm not much more is left than the famous grin of the Cheshire cat—it might not be too difficult to reconcile this view with one or the other of the neo-Marxist schools which have proliferated in the postwar years. The closest connection of Polanyi's view is evidently to French Marxist structuralism which tends to widen the concept of "mode of production" to include much that has been formerly thought of as part of the "superstructure." Uneasy concern with the same problem can be discerned in the distinction introduced by some Marxists between "determining" and "dominating" modes of production, or in the preferential use of the concept of "social formation" in concrete historical analyses of pre- and non-capitalist societies. All this shows increasing awareness of a puzzling "break" in history with the rise of capitalism, rendering invalid any account of the historical process which postulates successive stages following logically from each other in a linear ascending movement.

On the other hand, Polanyi, to my mind, certainly overstates his point when he attacks not only "economic determinism" but denies that there is any *specific interest of people in the use and possession of material goods* aside from their cultural significance. Though it is true that a cultural component enters into any, even the most basic, acts of satisfying human wants, the growth of material wants and hence of productive powers does seem to be a constant in history which can hardly be explained without recourse to a basic drive embedded in the

motivational structure of human beings. Polanyi offers no theory which would satisfactorily answer this question.

IV

The Great Transformation is not easy reading because all of its broad socio-philosophical, anthropological, and sociological propositions are intermingled with and developed out of a historical narrative which, though it centers on the Industrial Revolution in England, leads on to the rise of fascism and the outbreak of the Second World War.

In the central chapters on the rise of industrial capitalism in England the reader will find one of the most incisive and compassionate accounts of the vast suffering caused by the uprooting of the great mass of rural workers who were driven into the "satanic mills" of the new manufacturing plants, being denied the last vestiges of human dignity and robbed, as Polanyi says, of the "protection of all specifically human-cultural institutions."

V

In singling out the artificial creation of a labor market—a procedure which he aptly calls a "vivisection on the living body of society"—as the essential prerequisite for the establishment of capitalism he finds himself entirely in agreement with Marx (who first pointed to the significance of this process of "primitive accumulation"). With the creation of the "fictitious commodity" labor the decisive step was taken toward "disembedding" the economy, tearing it from its social roots. In discussing the process by which this was brought about, Polanyi accords eminent importance, next to the enclosure movement, to the changes in poor laws. Most prominently he places the debate about the Speenhamland Act at the center of attention.

This act, it will be remembered by students of the period, was in force from 1795 to 1830; it provided for relief payments at subsistence level to the poor, where necessary even in the form of wage subsidies. It need hardly be explained why this principle—clearly having disincentive effects—was heavily attacked by the liberal economists, even though it was not displeasing to the manufacturers. In fact Polanyi thinks that only with its

final abolition and replacement by a return to the Elizabethan workhouse principle was the way cleared for the establishment of an effective labor market. It may be a matter of dispute whether he overestimated the actual effect of the Speenhamland system in retarding labor market formation, for this market was already pretty well developed at the time of the repeal. But his main concern here was not with questions of dating but rather with the role of this controversy in the fruition of the liberal-utilitarian economic creed. Now for the first time the right of human beings to subsistence was being denied on intellectual grounds; the doctrine of using hunger as the whip to enforce industrial discipline was sanctified by close economic reasoning. In the context of Polanyi's anthropology, this basic doctrine was entirely "unnatural" in the sense of running counter to a necessary element of social existence. Hence the attempt to enforce it could only bring about a vast amount of suffering and conflict, but it could not really succeed.

This brings us to the second theme dealt with in this same historical setting, i.e., the beginnings of the "countermovement" of society against the devastations of the market mechanism. The most important points here are naturally factory laws and social legislation, but in addition a great many rules and regulations for the purpose of consumer protection as well as restrictions on the use and sale of land are cited. Paradoxically, so Polanyi argues, *laissez faire* was a "planned undertaking" supported by an unquestioned theory, while on the contrary the acts of social self-defense, or social protection, were unplanned, spontaneous, reactive moves against the play of market forces.

The *common interest* of society looms large in the discussion of these measures (whose real importance may be debatable), so large indeed that it reveals a view of society coming close to organicist theories generally associated with conservative social philosophies. Yet Polanyi does not deny the decisive role of *classes and class struggles* in bringing about the remedies needed by society; rather he proposes to analyze their historical meaning under the aspect of their function as a *vehicle of general interests transcending class lines* and in most cases transcending the threshold of class consciousness. In his own words:

The emphasis on class is important. The services to society performed by the landed, the middle, and the working classes shaped the whole social history of the nineteenth century. Their part was cut out for them by their *being available for the discharge of various functions* that derived from the total situation of society. (p. 133)

And further:

Actually, class interests offer only a limited explanation of long-run movements in society. The fate of classes is much more often determined by the needs of society than the fate of society is determined by the needs of classes. (p. 152)

It would go far beyond the scope of a short review to try to discuss in all its ramifications the vast controversial subject opened up by this unorthodox statement. Yet, however much one may object, one would do well not to dismiss it entirely. We are, after all, faced today with a wholly unorthodox situation, bringing to the fore any number of problems evidently transcending traditional class lines, within the industrial societies as well as in their relations to the "periphery." The questions raised by the prospect of physical limits to growth, of ecological breakdowns, of redistribution on a world scale, are all of a nature which may be more fruitfully analyzed in the light of Polanyi's suggestions than with the help of a theory nailed down firmly to the profit interest.

VI

Drawing together the threads of Polanyi's story enables us to see clearly the causes of the inevitable collapse of nineteenth-century civilization. This whole civilization rested, in Polanyi's view, on the four pillars of free trade and the gold standard in the economic domain, and the liberal state and the "balance of power" in the political, all four stemming from the "common matrix" of the market mechanism and based on international finance capital. Contrary to Lenin and Luxemburg, for Polanyi finance capital was not the motor behind the forces driving toward a general imperialist war, but was *eminently interested in maintaining the "hundred years' peace" between the Great Powers*, while fostering most of the local wars of the period. The entire structure was brought down—as indicated in the passage

Source - Peace and War

quoted at the beginning of this article—by the *insoluble contradiction* between increasingly necessary measures of protectionist state interventionism and the functioning of these institutions, which were restricted but could not be replaced by these measures. The process came to a climax in the Great Crisis of the thirties, the end of the system being signaled by the simultaneous victory of fascism in Germany and the abandonment of the gold standard by England. At this point began the “world-wide revolution,” the “great transformation” which gives the book its title, aiming at somehow cutting the industrial system loose from the market mechanism. The fascist solution of organized state capitalism, the Soviet solution of central planning, and the American New Deal—these were alternative and in that sense functionally equivalent answers to the same basic dilemma—posed by the breakdown of a civilization trying to impose the market “utopia” on a recalcitrant social reality.

It goes without saying that they were not, for Polanyi, equally desirable answers morally. Neither did he see in the New Deal—this was written in the 1940s—more than a hopeful beginning of a new consciousness of what he considered the necessary task, i.e., to control the destructivity of industrialism for the human and natural environment and to remove land, labor, and money from regulation by markets: “*If industrialism is not to extinguish the human race it must be subordinated to human nature.*” (p. 249)

The second great task he saw in the preservation of freedom, together with the social control of the economy. Unlike most Marxists, he refused to base his hopes for a free and socialist society on the vision of the “withering away of the state,” or the rise of the “new man,” in a perfect communist commonwealth. These ideas he regarded as “moral illusionism” and, as such, invalid for the shaping of a viable political and moral perspective. For power and compulsion he held to be deeply rooted in social reality, to be accepted—like death—as a part of the human condition. But where there is power, there also is—Acton’s famous dictum—the temptation to abuse it. Hence freedom can be safeguarded only if the civil rights and liberties which are a heritage of liberalism are salvaged from the debris of liberal economics. In the concluding passages in

which Polanyi affirms his deep attachment to this heritage, "an almost automatic by-product" of the detested market economy, he certainly had in mind not only fascism but also the Soviet Union whose experiment in planning he fully approved while deeply regretting its political course.

VII

In looking back almost a half century later on a book written under the direct impact of the Great Crisis of the thirties, it is neither useful nor fair to harp on judgments not borne out by the later course of historical events. As far as the Western world was concerned, the "Great Transformation" which Polanyi thought had occurred was not as thorough as he believed it to be; the postwar revival of a capitalist world market based on liberalized trade and even on a half-way gold standard belie his premature obituary for these institutions. Also there is a conspicuous absence in his analysis of the phenomena arising specifically from monopoly power, a weakness apparently resulting from his preoccupation with the market as such. Yet in other ways he saw further than many Marxists writing in his day with their eyes fixed on the "final and ultimate crisis" of capitalism which could only give way to socialism. Against this view the importance which he attached to New Deal or Keynesian types of state interventionist activity as a social stabilizer proved a superior guide to the fate of the world in the next quarter century. But if he erred in pre-dating the final death of the market system, the present-day crisis of Western capitalism—and indeed of Western society as a whole—can easily be described in terms of his analysis of the breakdown of prewar society: once more, one could say, though on a much higher level of state interventionist capacity, the basic institutions of the (Western) world economic system are being undermined precisely by the measures taken to keep it functioning and without which it could not function at all.

On the theoretical level one should not look to *The Great Transformation* for an elaborate analytical framework to be compared with Marxism, but rather for fresh approaches to old questions, for a wealth of fruitful suggestions springing from a broad sociological imagination. It was this capacity for imagina-

tion which enabled Polanyi to foresee in a period wholly unaware of this question the existential environmental dangers which an uncontrolled industrialism could bring with it. With the apt formula "habitat versus improvement" he put his finger on a problematic which only in the sixties and seventies began to loom large in the conflicts shaking Western society. "Habitat" he understood to embrace the habitability of the natural environment as well as the security of individuals in their socio-cultural environment, i.e., the "quality of life"; by "improvement" he meant simply productivity, economic growth. Hence his emphasis on the necessity of social control of industrial technologies rather than on the fight against poverty, which was foremost in the minds of socialists—whether democratic or communist—at the time. A great deal of what Polanyi said in this connection anticipates the concerns of the "neo-Marxist" Frankfurt school and more generally of the intellectual movement that became known in the late fifties as "socialist humanism."

From these thinkers Polanyi differs markedly, however, in his decided rejection of what he considered to be the utopian fallacy of believing all social evils to be eradicable in some future society. With a startling quotation from Robert Owen—the last thinker one could expect to find cited as a witness against utopian thinking—he heavily underscores this point at the very end of the book: "Should any causes of evil be irremovable by the new powers which men are about to acquire, they will know that they are necessary and unavoidable evils; and childish, unavailing complaints will cease to be made." (p. 258)

This should not be taken as a counsel of resignation. Rather it was Polanyi's conviction that acceptance of *necessary* social evils—that is, power and compulsion—is a source of strength and wisdom in combating the unnecessary evils. At the same time, he feared that hopes too highly strung may blur our vision.

Inspiration

2. March 1960
P. Medow

*This is a
first attempt.
Comments would
be helpful
P.M.*

K. Polanyi

NINE STAGES IN THE DEVELOPMENT OF K. POLANYI'S THOUGHT

1. (1909 article) Marxist socialism is a misleading vision: the ideals of socialism will be betrayed by the working class: the result will be fascism.
2. (1923 article) Socialist prices must reflect social aspirations as well as utility.
3. (After the coming of Fascism) Fascism regards socialism as its enemy because socialism as an idea is a new manifestation of Christian aspirations.
4. (The Great Transformation): the idea of a self-regulating market system is a utopia.
5. (Commentary article, and addition to G.T.) The alternative view of industrial society must center on the recognition of the reality of power and the "reality of society" in a technological civilization, that is the everpresent possibility of eternal damnation. This, however, like the revelation of death and the revelation of the possibility of eternal damnation, must be a source of greater productiveness in the possibility of overcoming this prospect, which stems from the uncertainty of the limits involved.
6. (Trade and the Market) Instead of an approach to motivations in the analysis of the institutional basis of empirical economies, one should approach it through the concept of operational definitions of individual elements, but ultimately in terms of a substantive definition of the economy resting on the concept of instituted behaviour.
7. ("The New West") The West must cease to identify itself with capitalism and (?) with power politics in the new world situation in which the aspirations of socialistically inclined new nations have become decisive. It must seek a modus vivendi with Russia and China and establish a new institutional basis for international trade. Only then will a possibility for survival be assured and a possibility for disseminating the positive elements in its heritage to other countries created.
8. ("Aristotle and Galbraith on Affluence") The arrival of abundance in production makes possible the non-market financing of institutions corresponding to Aristotle's concept of "the good life," and also the establishment of markets for "inefficiency" at points at which efficiency conflicts with the requirement of personal freedom.
9. ("Non-market economics") The general definition of the economy makes possible the formulation of general principles of economic analysis and also indicates the nature of the conflicts between the instituting of behaviour and the requirements of ethical norms.

28 July 1962
NY

art.

The place of K. Polanyi in the history of
thought about rationality and society

(Western thought)

by P. Medow
Summary

1. The Hegelian tradition meant a recognition of the reality of functional relations, that overcome the influence of the concept of the law of nature on man's interpretation of the relations of society to the individual that prevailed during the Enlightenment. But the Maine tradition then led to a renewed emphasis on personal rationality in this regard, that was most pronounced in the works of Weber and of his successors (Tawney, Fromm). Already in Tawney, however, an element of normativism appeared, which derived from a recognition of the concept of society. It was also present in Fromm, who associated rationality with a general image of man.

The missing link was provided by the works of Polanyi, who represents a continuation of the Hegelian tradition, on the one hand, which recognizes the reality of functional relations in society, (extended to the reality of the industrial structure) and a concern with normativism in the field of socio-political measures, and a concern with existential ethics (the problem of fascism) in industrial societies) as well.

In this perspective the place of personal rationality is different from the one it occupies both in the Hegelian tradition and in the Maine tradition (it is these two, and no longer Smith's view of the law of nature, which have become the issue). It is one in which man must recognize the reality of means ends relationships, and then utilize them in the light of his own preferences and norms in so far as it is possible, the ultimate concern being with existential problems and meaningful spiritual living.

Some Links between the Early and the Later Work of Karl PolanyiBy Felix Schafer

- A. Introduction; - B. The Postulate of Transparency of Human Relations; -
 (a) The Marxian Concept of the "Commodity Fetishism" - (b) Socialist
 Accountancy (1922) - (c) The Essence of Fascism (1935) - (d) The Great Trans-
 formation (1944) - (e) Anthropological Writings
- C. Price Formation and Money - (a) Polanyi's Model of Socialist Price
 Formation - (b) Comments on Polanyi's Model - 1. Justification of the
 Assumptions of the Model - 2. Prices as a priori given quantity Relations -
 3. Links from the Purchasing Power in Polanyi's Price Formation Model -
 4. The Conceptual Patterns "Exchange Economy" and "Purchasing Power Economy"
 - 5. "Exchange Economy" and "Purchasing Power Economy" as "Theoretical
 Places for Different Problems - (a') Self-Regulating vs. Regulated Money
 Market - (b') Microphenomena vs. Macrophenomena - 6. "Purchasing Power
 Economy" and "Exchange Economy" as complementary conceptual patterns -
 7. Transition to "Formal" and "Substantive" Meaning of "Economic" - (a)
 The Marxian Labour Value Theory - (b) Economic History - (c) "Formal" and
 "Substantive" Meaning of "Economic"
- D. The Changing Place of Economy in Society - (a) Socialist Accountancy -
 (b) Later Writings -
- E. Inverted Perspective
- F. Polanyi's Position with Regard to Marx and Owen - (a) Marx - (b) Owen

(1) I am greatly indebted to Professor Georg Dalton of Northwestern
 University, Illinois, U.S.A. for his suggestions and criticism.

The Great Books (Contd.)

What are the greatest books of the 20th century?

That parlor question has been troubling Philosopher Mortimer Jerome Adler, 75, partly because the sage of Aspen has an incurable passion for arranging ideas into categories, partly because this is the 25th anniversary of his proclamation, with the help of Robert Hutchins, of the "Great Books of the Western World." To organize that 5-ft. 1-in. shelf, Adler bestowed the title of greatness on 443 works by 74 authors, but denied it to anyone after Freud and William James.

Now Adler is planning an equally weighty continuation of that shelf: a 20-volume series entitled, not surprisingly, "Great Books of the 20th Century." Writing to the series' editorial board—including such luminaries as Norman Cousins and Jacques Barzun—Adler asked which modern authors might be worthy of the company of Homer, Galileo and Marx. He add-

ed: "I am willing to stick my neck out by nominating the authors and works from which a selection should be made."

Adler's list of 131 works by 73 writers is, quite naturally, eclectic (*see below*). It extends from the popular (Orwell's *Animal Farm*) to the ponderous (Sartre's *Being and Nothingness*). To stimulate the board, Adler professes to consider his selections "woefully inadequate" and urges anyone to "challenge the soundness of my nominations."

The offer is hard to resist. How, one might ask, could Adler nominate Eliot's pretentious *The Cocktail Party* and not his superb *Four Quartets*? If there is room for the historical musings of Toynbee, why is there no room for Braudel's monumental *The Mediterranean and the Mediterranean World in the Age of Philip II*? And if this list is supposed to update the original of 25 years ago, why does it recognize so few living writers? Bellow and Solzhenitsyn are admirable, but where is the magic of Grass's *The Tin Drum* or Robert Lowell's *Life Studies* or Thomas Pynchon's *Gravity's Rainbow*?

Adler's List:

IMAGINATIVE LITERATURE: NOVELS, PLAYS, POEMS

ANTON CHEKHOV

The Three Sisters
The Cherry Orchard

GEORGE BERNARD SHAW

Man and Superman
Major Barbara
Heartbreak House
Saint Joan

JAMES JOYCE

A Portrait of the Artist as a Young Man
Ulysses

MARCEL PROUST

Remembrance of Things Past

THOMAS MANN

The Magic Mountain
Joseph and His Brothers

JOSEPH CONRAD

Nostromo
The Secret Sharer
Heart of Darkness

WILLIAM FAULKNER

Sartoris
The Sound and the Fury
Light in August

D.H. LAWRENCE

Sons and Lovers
Women in Love

T.S. ELIOT

Murder in the Cathedral
The Cocktail Party
The Waste Land

FRANZ KAFKA

The Trial
The Castle

GEORGE ORWELL

Animal Farm

ALEXANDER SOLZHENITSYN

The Cancer Ward
The First Circle

SAUL BELLOW

Mr. Sammler's Planet
Herzog

SAMUEL BECKETT

Waiting for Godot
Endgame

ERNEST HEMINGWAY

The Old Man and the Sea

ALBERT CAMUS

The Plague
The Fall
The Stranger
The Rebel

VLADIMIR NABOKOV

Invitation to a Beheading

JORGE LUIS BORGES

The Book of Imaginary Beings
Doctor Brodie's Report
Dreamtigers

HEINRICH BÖLL

The Clown

ANDRÉ GIDE

The Counterfeiters

ANDRÉ MALRAUX

Man's Fate
Man's Hope

EUGENE O'NEILL

Long Day's Journey into Night
The Iceman Cometh
Mourning Becomes Electra

ALDOUS HUXLEY

Brave New World

GIUSEPPE DI LAMPEDUSA

The Leopard

GRAHAM GREENE

The Power and the Glory

JEAN-PAUL SARTRE

Nausea

An anthology of lyric poetry including poems of WILLIAM BUTLER YEATS, ROBERT FROST, EDWIN ARLINGTON ROBINSON, T.S. ELIOT and RAINER MARIA RILKE

THE SOCIAL OR BEHAVIORAL SCIENCES AND HISTORY

LEON TROTSKY

History of the Russian Revolution

NIKOLAI LENIN

The State and Revolution

MAX WEBER

Essays in Sociology
The Protestant Ethic and the Spirit of Capitalism

R.H. TAWNEY

The Acquisitive Society
Religion and the Rise of Capitalism

J.M. KEYNES

The General Theory of Employment, Interest and Money

GEORGES SOREL

Reflections on Violence

HENRY ADAMS

The Education of Henry Adams
The Degradation of the Democratic Dogma

CARL JUNG

Two Essays on Analytical Psychology
Psychological Types
Modern Man in Search of a Soul

ARNOLD TOYNBEE

A Study of History
Civilization on Trial
Change and Habit

PIERRE TEILHARD de CHARDIN

The Phenomenon of Man

CLAUDE LÉVI-STRAUSS

The Savage Mind
The Raw and the Cooked
Totemism

JACQUES ELLUL

Technological Society

EDMUND WILSON

To the Finland Station

SIMONE WEIL

Waiting for God

HANNAH ARENDT

The Human Condition
The Origins of Totalitarianism

KARL POLANYI

The Great Transformation

SIMONE de BEAUVOIR

The Second Sex

THORSTEIN VEBLÉN

The Theory of the Leisure Class

PHILOSOPHY, THEOLOGY, AND RELIGION

HENRI BERGSON

Creative Evolution
The Two Sources of Morality and Religion

JOHN DEWEY

Democracy and Education
Human Nature and Conduct
The Quest for Certainty

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Bertil Ohlin, Head of Swedish Liberal Party, To Give Lectures at Columbia University

Will deliver six addresses first three weeks of next month on general theme, "The Problems of Economic Stabilization." Another outstanding European economist, Dr. Karl Polanyi, founder of historical Hungarian student movement, "Galilei," and author of "Origins of Our Time," will teach courses in General Economic History to graduate students at University next term also.

Two outstanding European economists are coming by invitation to Columbia University, one to deliver a series of special lectures and the other to teach as a visiting professor, during the coming scholastic term which commences Feb. 3.

Bertil Ohlin, professor of economics at the University of Stockholm, former Minister of Commerce of Sweden, and leader of the Swedish Liberal Party, on the recommendation of the Department of Economics at Columbia, will give the Julius Beer Lectures the first three weeks in February and Dr. Karl Polanyi, the famous Hungarian economist who is now a British subject will teach a graduate course in General Economic History and conduct a seminar for students who want to do special work in this field.

Ohlin, author of the book, "Inter-regional and International Trade," served on numerous committees of the League of Nations and in 1944 was in the United States as head of the Swedish delegation to the International Labor Conference at Philadelphia. He will deliver six lectures in all on the general theme, "The Problems of Economic Stabilization."

Dates and topics of the various lectures in the series follow: Feb. 3, "The Economics of Overful Employment;" Feb. 5, "The Swedish Theory of Unused Resources;" Feb. 10, "The Keynes Theory of Unused Resources and Its Practical Application;" Feb. 12, "A Swedish Program for Anti-Depression Policy;" Feb. 17, "National and International Conditions of Employment Stabilization;" Feb. 18, "Employment Stabilization and the Organization of Society."

At the first lecture which will be given in Horace Mann Auditorium, Ohlin will be introduced by Dr. Frank D. Fackenthal, acting president of the university. The other five lectures will be given in the Harkness Academic Theater. The first lecture will start at 8:30 p.m. and all the others at 8 p.m. A dinner for Ohlin will precede the opening lecture.

Born in Vienna of Hungarian parents, Dr. Polanyi founded the historical Hungarian student movement, "Galilei," in 1908 and

was identified with the struggle against the Heimwehr in Austria since 1929. He went to England to live in 1933. He is the author of "Essence of Fascism" and more recently of "Origins of Our Time." He was also joint editor of "Christianity and Social Revolution." He taught at Bennington (Vt.) College for two years and is teaching now in the extension divisions of Oxford University and the University of London.

Of Dr. Polanyi's book, "Origins of Our Time," Prof. Robert M. Maclver of the Sociology Department at Columbia, has the following to say: "Here is a book that makes most books in its field seem obsolete or outworn. So rare an event is a portent of the times. Here, at a crucial hour, is a fresh comprehension of the form and the meaning of human affairs. Mr. Polanyi does not profess to be writing history—he is rewriting it."

Firm To Be Known As Dreyfus, Jacquin & Co.

The firm name of Lewisohn & Co., 61 Broadway, New York City, members of the New York Stock Exchange, on Feb. 1, will be changed to Dreyfus, Jacquin & Co.

On that date Jack J. Dreyfus, Jr., member of the Exchange, John Behrens, and William E. Nulty will be admitted to general partnership and Gladys T. Ohrbach to limited partnership. Mr. Nulty was formerly a partner in Francis I. du Pont & Co. Other new partners were members of Dreyfus & Co., which is being dissolved as of Jan. 31.

Sam A. Lewisohn, David M. Heyman, Robert S. Byfield, member of the Exchange, and John G. Greenburgh, all partners in Lewisohn & Co., will retire from the firm on Jan. 31.

Hans-Denis Pelenci.
B.N

Review Articles

Niels Steensgaard and the Europe-Asia Trade of the
Early Seventeenth Century

T. Bentley Duncan
University of Chicago

The displacement of the ancient overland spice routes of the Middle East by the oceanic route via the Cape of Good Hope is a subject that has been long discussed. The consequences of a substantial shift of trade away from the Middle East and toward the Atlantic were momentous, not only for Asia but also and most specially for Europe, where the shift may signal the transfer of wealth, power, initiative, and commercial momentum from the Mediterranean basin to the Atlantic seaboard.

It is now sixty years since Arthur H. Lybyer thought it necessary to deliver us from the myth that the Ottoman Turks deliberately obstructed the trade routes across the Middle East in the fifteenth and sixteenth centuries.¹ A subsequent myth, that the Portuguese blocked the overland shipment of spices, has been refuted by the work of Frederic C. Lane, Fernand Braudel, and Vitorino de Magalhaes Godinho. My own researches in Portuguese mercantile history convince me that initial Portuguese activities in the Indian Ocean led not to a blockage of the overland trade but rather to a short-term diversion of the trade from the Aden-Cairo-Alexandria axis to the Basra-Baghdad-Aleppo axis. But this was of short duration; in the long term the skill, initiative, and shipping resources of the Portuguese merchants stimulated all the varied routes of the overland trade. Even the key monopolized commodity, pepper, was shipped overland in large quantities by Portuguese middlemen who could not afford to give obedience to the restrictive edicts of their own king. Before 1590 the Cape route, exclusively in the hands of the Portuguese, rarely supplied as much as 70 percent of the pepper consumed in Europe, and sometimes supplied as little as one-half. Spices other than pepper, and all the many other commodities in the overland trade, were scarcely affected by the Cape route.

The real blockages and dislocations in the overland trade occurred during the crucial period 1590-1630, which is roughly the time span covered by Niels Steensgaard's impressive monograph.² *Carracks, Caravans and Companies* has an annoyingly alliterative title, but the subtitle (*The Structural Crisis in the European-Asian Trade in the Early 17th Century*) is quite apt—and the term "structural crisis" does not promise more than the book

¹ Arthur H. Lybyer, "The Ottoman Turks and the Routes of Oriental Trade," *English Historical Review* 30 (1915): 577-88.

² Niels Steensgaard, *Carracks, Caravans and Companies: The Structural Crisis in the European-Asian Trade in the Early 17th Century*, Scandinavian Institute of Asian Studies Monograph Series, no. 17 (Copenhagen: Studentlitteratur, 1973), Pp. 448. \$15.50. The book has been reissued as *The Asian Trade Revolution of the Seventeenth Century: The East India Companies and the Decline of the Caravan Trade* (Chicago: University of Chicago Press, 1975), Pp. 442. \$15.00 (cloth), \$4.95 (paper).

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delivers. The word "structural" is sometimes prefixed to "crisis" or "change" in an effort to lend a pretended depth and complexity to exposition that is flat and devoid of subtlety. But in Steensgaard's book there is genuine depth and complexity, rich conceptualization, and a wealth of subtle analysis. Its large, diverse historical elements, skillfully orchestrated, convey a genuine sense of a structural crisis, defined (in his words) as "a confrontation of fundamentally different institutional complexes" (p. 12).

A brilliant opening section (pp. 12-21) sets forth the governing concepts that will be analyzed in detail in the first half of the book. Among these concepts are: (1) Karl Polanyi's assumption that empirical markets, especially in the non-Western world, "do not necessarily behave in accordance with the market of economic theory" (p. 21); (2) Jacob Cornelius van Leur's definition of Asian commerce as essentially a peddler's trade, marked by poor transparency and very unstable prices; (3) Peter Wolfgang Klein's belief in the necessary and creative functions of monopoly, in certain markets, where monopoly can promote greater transparency and price stability; (4) Frederic C. Lane's views on organized violence, tribute, and protection rent as components that should not be left out of market theories; and (5) Joel Hurstfield's and Jacob van Klaveren's development of the concept of institutionalized corruption.

Steensgaard begins with Polanyi's assumption that Asian (and other non-Western) markets functioned differently from the theoretical market envisioned by Western economists.³ Steensgaard accepts Van Leur's characterization of Asian commerce as fundamentally noncapitalist, an affair of peddlers: "The central element is the pedlar, that humble servant of world trade who, with his small stock of goods, is for ever travelling from market to market" (p. 15). Steensgaard defends Van Leur⁴ against the severe criticism leveled at him by Marie Antoinette Petronella Meilink-Roelofs,⁵ who found the term "peddler" inadequate to describe Asian commercial operations that included merchants of great wealth, stable partnerships, sophisticated and efficient credit instruments, extensive capital resources, and the shipment of large quantities of commodities across great distances unaccompanied by owners.

In this matter I am more in sympathy with Meilink-Roelofs than with Van Leur. It is true, as Steensgaard makes clear, that the peddling trade should not be called "primitive": "The technique may well be primitive, but the organization does not lack sophistication" (p. 25). Nor is the fundamental character of the trade "altered by the circumstance that some individuals may have an unusually large amount of capital at their disposal" (p. 15). Yet a strong objection against the word "peddler" is justified, if only for esthetic reasons, although there are other reasons as well.

³ Karl Polanyi, Conrad M. Arensberg, and Harry W. Pearson, eds., *Trade and Market in the Early Empires: Economies in History and Theory* (Glencoe, Ill., 1957), pp. 250-56.

⁴ Van Leur's innovative ideas were first published in *Eenige beschouwingen betreffende den ouden Aziatischen handel* (Middelburg, 1934), but made little impact until after World War II, during which war he himself was killed (Battle of the Java Sea, 1942). His major writings are collected in *Indonesian Trade and Society: Essays in Asian Social and Economic History* (The Hague/Bandung, 1955), where the description of the peddling trade occurs on pp. 214-19.

⁵ M. A. P. Meilink-Roelofs, *Asian Trade and European Influence in the Indonesian Archipelago between 1500 and about 1630* (The Hague, 1962), pp. 119-20.

The term "peddler" is not free from contemptuous connotations. The basic image is that of the poet Edmund Spenser's "poor peddler" of 1579, "bearing a truss of trifles at his back."⁶ Surely the great merchants of India stood at an enormous distance from this image. Consider Virgi Vora of Surat, the "richest merchant in the world,"⁷ for forty years the indispensable associate of the Dutch and English in their Gujarat commerce. Or consider Mir Jumla, the politician-merchant of Hyderabad, whose giant ships from the Coromandel Coast were, for twenty years, the decisive influence at the great entrepôt of Mocha.

Western economic thought about non-Western lands, from Karl Marx's "Asiatic mode of production" to Polanyi's African innocents with their "gainless barter," embodies much cultural bias and has often been more concerned with scoring points in the ideological wars of the West than with the direct objective study of non-Western societies. Neither Virgi Vora nor Mir Jumla engaged in the "Asiatic mode of production," and neither engaged in the "peddling trade" as that trade is described by Steensgaard (p. 205): "The magnificent though insignificant trade, distributed among many hands, bound up with the monsoons and the limits they imposed on the trade year, cosmopolitan, sensitive to the fluctuations of the market and political movements, a trade whose entrepreneurs were at home everywhere on the Asian market. They were people on the move, people taking a short rest from the journey, which, in a couple of years or a couple of generations, might lead them from one end of the Old World to the other."

Within this conceptual framework of a peddling Asian market is placed Van Leur's assertion, strongly supported by Steensgaard, that Portuguese mercantile activity in the East "never reveals a trade that deviated from the Asian pattern" (p. 93). The Portuguese contributed nothing new to the entrepreneurial and market forms of Asia, for they were primarily tax gatherers, participants in a "redistributive enterprise," who "might enter the market as pedlars on a grand scale, their role might be dominating and continuous, but their behavior did not modify the market pattern in which they operated" (p. 110).

Two unstated and perhaps unconscious assumptions seem to dominate Steensgaard's discussion: (1) that European marketing institutions at the beginning of the seventeenth century were far in advance of similar institutions in Asia; and (2) that the Portuguese were not representatively European in their economic modes of operation—that their techniques lagged behind those of "northern" Europe. In my view, both of these assumptions require qualification.

The basic problem in the first half of the book is to distinguish, on the one hand, Asian marketing structures from European marketing structures, and, on the other, to characterize the Portuguese contribution to Asian markets and distinguish it from the Dutch/English contribution. While Steensgaard follows Van Leur in asserting that the Portuguese brought no new elements to Asian marketing, he is decidedly opposed to Van Leur's view that "around 1650 the Dutch East India Company had not yet contributed anything to the Asian economic structure" (p. 16). On the Dutch contribution question, Steensgaard accuses Van Leur of contradicting himself and of

⁶ Edmund Spenser, *The Shepherd's Calendar*. "May," line 239.

⁷ So described by an English merchant in Surat (William Foster, *English Factories in India, 1661-1664* [Oxford, 1923], p. 308).

adhering to a static view that "excludes a dynamic analysis: there is no room for qualitative alterations or institutional innovations prior to 'modern capitalism'" (p. 16).

In order to support key elements in Steensgaard's reasoning it is necessary for him to make a radical distinction between the Portuguese and the Dutch contribution. Van Leur's argument, from certain perspectives, has greater internal consistency, assimilates the marketing methods of the Portuguese to the Dutch, and even contains an unstated hint that the Asian "peddling" market, after all, might not be so far removed from the Western European market as it existed in 1600.

As for the Asian market, there is need for a new terminology. The term "pre-capitalist" contains teleological assumptions; the term "pre-modern" is ridiculous; and the term "peddler" is derogatory. I would suggest use of the word "cafila," the Portuguese version of the Arabic word meaning "caravan." Cafilas applied both to convoys at sea and caravans on the land, was commonly used by seventeenth-century European and Asian merchants, and conveys one of the fundamental features of Eastern commerce: the banding together of many individuals for the common benefit, especially for the reduction of protection costs.

Was the *cafila* trade so different from European marketing? One of the striking impressions that emerges from the reading of hundreds of letters from European merchants in the East is how readily and easily Portuguese, Dutch, English, French, and Danish merchants fit into the *cafila* trade. The Europeans had much to learn about Asian commodities, measurements, money systems, and monsoonal rhythms—but they had little to learn about marketing techniques. And the converse also seems to hold true: Asians had much to learn about European commodities, measurements, shipping, and money—but not much about marketing techniques.

The commercial operations of the wealthiest Asian merchants, such as Virgi Vora, do not seem to show a striking qualitative difference from those of the Dutch and English factories. Asian commerce, one would think, should be judged by the techniques of its most sophisticated practitioners and not by the methods of the itinerant small-scale barterers of Sumatra and Java, who cannot be dislodged from center stage in Van Leur's scenario.

As for the activities of the Portuguese, Steensgaard's analysis has a conceptual sharpness to it, a simple rigidity that excludes and eliminates all qualifications, exceptions, and ambiguities. Portuguese activities appear under two institutional guises: first, the Portuguese were the founders of the *Estado da India*, essentially a "redistributive enterprise" run by tax gatherers who used organized violence to extract a profit from the commerce of others by selling protection; second, the Portuguese operated the royal pepper monopoly under the aegis of the Lisbon-based *Casa da India* customshouse, a commercial monopoly that was inefficient, haphazard, and rather small in scale.

A prominent structural feature of the *Estado da India* was built-in corruption: its "bureaucracy must be regarded as one of the purest examples in history of constitutionally determined corruption" (p. 93). Here Steensgaard picks up the Hurstfield and Van Klaveren theme of institutional corruption in ancien régime governments.⁸ In such governments corruption was sys-

⁸J. Hurstfield, "Political Corruption in Modern England: The Historian's Problem,"

tematic, commonplace, and an intrinsic part of the structure: an isolated or egregious instance of corruption might call down punishment, but that would not stop the system from generating more corruption.

Such a description of the *Estado da Índia* is accurate, but overlooks all exceptions. Some Portuguese officials in India left office with "clean hands" (*mãos limpas*), never having taken a penny—for some few, at least, were incorruptible (we have unimpeachable testimony from ecclesiastics on this point). In addition there were *fidalgos* in the East who beggared themselves in their king's service; for if corruption were the "constitutionally determined" temptation of Portuguese government service, it is true as well that at least one ancient ideal was also influential, the ideal of noblesse oblige.

I am not sure that much insight is gained by insisting too narrowly on the character of the *Estado da Índia* as a redistributive enterprise. From the economic aspect all governments are redistributive enterprises, and the *Estado da Índia*, after all, was primarily a government, although deeply involved in commerce. It did more than collect taxes and pay salaries—it also enacted and enforced laws, built ships and forts, founded cities, ran law courts and hospitals, established municipal councils, funded and encouraged missionary activities, and provided a range of public services.

As for the *Casa da Índia*'s pepper monopoly, Steensgaard believes that, with the possible exception of the international pepper marketing syndicate established in Europe,⁹ it made no contribution toward "new entrepreneurial and market forms" (p. 110). In Steensgaard's extreme view the "pepper monopoly was not a business but a customs house" (p. 100), and involved the monopolization not of a commodity but only of a sea route. The Portuguese tax gatherers and would-be monopolists operated within the "peddling" market, subject (according to him) to all the hazards of opaque conditions and severe price fluctuation. The truly creative economic role, denied to the Portuguese, is assigned by Steensgaard to the Dutch, who are credited with promoting the transparency of Eastern markets, rationalizing commercial operations, internalizing protection costs, and using monopoly positions to foster stability of price and supply. Monopoly so used can be viewed constructively as advancing the rationalization or even the "modernization" of the *cafila* market (in lines with the views of Peter W. Klein).¹⁰

This black-white dichotomy in the characterization of Portuguese and Dutch, however useful analytically and pedagogically, requires shading. It is true that the Portuguese, unlike the Dutch, were not good at the management of large joint-stock trading companies (as witness the fiasco of the Portuguese East India Company of 1630, although the Brazil Company of 1649-64 might be cited as an exception); and it is true that the Dutch committed vastly greater resources of money and ships to Eastern commercial enterprises than did the Portuguese. But there were many points of similarity and contact between Portuguese and Dutch. Portuguese merchants resident in Amsterdam did business in exactly the same ways as their Dutch

History 52 (1967): 16-34, Jacob van Klaveren, "Die historische Erscheinung der Korruption," *Vierteljahrschrift für Sozial- und Wirtschaftsgeschichte* 44 (1957): 289-324; 45 (1958): 433-504.

⁹ Best described in Donald F. Lach, *Asia in the Making of Europe* (Chicago, 1965), I: 131-40.

¹⁰ P. W. Klein, *De trippen en de 17e eeuw: een studie over het ondernemersgedrag op de Hollandse stapelmarkt* (Assen, 1965).

partners and competitors, and probably owned stock in the Dutch East India Company. Dutch merchants in Lisbon showed no qualitative advance in commercial method over their Portuguese colleagues, with whom they entered into many partnerships.

In the East, Steensgaard to the contrary, the Portuguese also internalized their protection costs, and their pepper monopoly did add to the transparency of market conditions in certain areas of Malabar and Kanara. In the mid-sixteenth century, for decades at a time, there was considerable price stability and regularity of supply in the pepper markets of southwest India. Portuguese pepper contracts with local princes contributed to this result. But there were limits to the market transparency that could be achieved, even by the Dutch. Dutch bureaucrats in Java might dream of a single, rationally coordinated marketing operation extending from the Red Sea to Japan, but—given the slowness of sailing ships and the inescapable dictates of the monsoon—it was impossible for an official in Batavia to make informed decisions about markets in the Red Sea, the Persian Gulf, Gujarat, or Malabar. The Dutch ship out of Batavia, bound for Mocha, Surat, or Gombroon (Bandar Abbas), sailed with the same lack of information and took the same risks as everyone else.

Like the Portuguese, the Dutch sold protection, levied tariffs, and issued safe-conducts (*cartazes*) for Asian shipping. Like the Portuguese, the Dutch were brigands as well as merchants, but the "organized violence" of the Dutch was more destructive, because more thoroughgoing, than that of the Portuguese. Nor did Dutch monopolies always contribute to a rationalization of markets. Their cloves and nutmeg monopoly in the Moluccas had the deleterious consequences usually associated with monopoly structures, including the ruination of competitors and a reduction in the volume of total commercial transactions.

The strain of maintaining a black-white differentiation between the Portuguese and Dutch shows through in Steensgaard's text. To describe the Portuguese he is forced into curious phrases such as "pedlars on a grand scale" (p. 110). He wonders whether the words used to characterize the Portuguese are not also applicable to the Dutch: "One may therefore raise the question as to whether the Dutch East India Company ought not to be considered a redistributive enterprise using organized violence with a view to the acquisition of income" (p. 133). On page 141 he nearly gives the game away: "It will often be difficult to demonstrate the difference between the Portuguese and the Dutch policy."

All of this theorizing is in the first half of the book, and although one can quarrel with emphasis and interpretation, it is on the whole a magnificent performance, possibly the most intellectually exciting stretch of reading I have done during the past decade. The second half of the book is more conventional, containing a chronological narrative of events, especially diplomatic events, affecting the Persian Gulf, with special regard to relations between Persia and various European powers. There is much here of interest and importance, such as the attempt by the great Shah Abbas to divert the Persian silk trade from the Mediterranean to the Persian Gulf. But too much space is taken up with the fascinating, but abortive, personal diplomacy of the Sherley brothers.

The fabled Portuguese island entrepôt of Hormuz, at the entrance to the Persian Gulf, receives close attention. The expulsion of the Portuguese from

Hormuz in 1622, by a joint Anglo-Dutch-Persian effort, Steensgaard sees as symbolic of the structural crisis that beset the traditional overland trade, as Dutch and English ships diverted ever greater quantities of commodities to the Atlantic sectors. "There is an almost baroque incongruity between the loss of Hormuz and the conquest of Hormuz seen with English eyes. The Portuguese lost one of the buttresses of their Empire, the English won a symbolic share of the customs receipts in Gombroon" (p. 346).

Hormuz works well as symbol, but will not serve as explanation. Much of the vanished Hormuz trade, after all, went to nearby places: to the Dutch and English factories at Gombroon, and to Portuguese merchants at Muscat, Jask, Kung, and elsewhere. As Steensgaard himself points out, with some surprise, the Portuguese did not disappear from the Gulf after 1622 but held on and later made important initiatives in the market of Basra. The Portuguese were still trading in the Gulf at the end of the seventeenth century and even sent a very successful naval expedition there in 1719. In my opinion, over the long haul the Portuguese did better commercially in the Gulf than either English or Dutch.

A few minor inadequacies need mentioning. The book has been excellently translated from a Danish original, but there is an occasional misspelling, the very rare word "sceptis" is used instead of "skepticism," and the invariable omission of the definite article "the" in front of *Estado da India* makes for a jerky text. Some titles in the bibliography are incorrect, and the extreme terseness of the method of citation, with subtitles excluded, leads to confusion at times and ill-serves both authors and readers. There are various mistakes in Portuguese: The Italianate preposition *di* appears instead of the Portuguese *de*, *do*, or *da* (*Casa di Misericordia*, pp. 202, 205, 251). The singular of *cartazes* is *cartaz*, not *cartaze*. There is no such weight as the "Casa da India quintal," rated in the text as equivalent to 50 kilograms. The Casa da India used the greater quintal of Lisbon, equivalent to 58.7 kilograms, for its pepper purchases in Asia, and the lesser quintal of Lisbon, equivalent to 51.4 kilograms, for its sales in Europe; but then nobody else writing in the field seems to understand this simple fact.

In conclusion, this is an impressive and distinguished book—stimulating, innovative, ingenious, and grand in scale. It fits neither the "good old economic history" category nor the econometric category—and proves once again that economic history is a house with many mansions. It manages to be conceptually rich without being statistical. But having said this it must still be admitted that the whole subject could be tackled with much more confidence if there were good statistics available for the overland trade. Basic research on Indian Ocean commerce has hardly yet begun.

Jonathan Hughes

INDUSTRIALIZATION

"Industrialization AND Economic History"

222 Consequences

McGraw-Hill

THE GREAT TRANSFORMATION

The industrial system's development up to 1914 had one, more recent, interpreter who commands attention. Karl Polanyi (1886-1964), in his book *The Great Transformation* (1944), developed an analysis of striking originality which, in my opinion, has been improving with age. Polanyi was a man of many talents who, like Marx, studied the political and social phenomena of life in association with economic development and saw them all as part of a "whole piece of cloth." He has not been reduced to a "recording footnote," but the full recognition of his work may be yet to come. *The Great Transformation* is partly beclouded by a most difficult problem; contemporary history sometimes presses upon the historian in a personal way which makes perspective difficult to achieve at the near end of the historical spectrum. Polanyi was closely involved in European political upheavals until he fled to England from the Nazis in 1934. As a British subject he was again soon in politics, and then in the United States, during the Second World War, *The Great Transformation* was completed. The events of the 1930s and early 1940s greatly colored his historical viewpoint and, I think, caused him to get several important historical turning points wrong in a way which casts *The Great Transformation* oddly awry. Most important, Polanyi placed the Second World War in his scale of events where modern scholars would now place the First World War. Even though World War II was of far greater destructive magnitude than was World War I, it seems clear now (as clear as such things ever are) that the first war ended the long peace of the Victorian era, and that the second one, largely a continuation of the first (see *Mein Kampf*), heralded the new era of continuous war and preparation for war which seems destined finally to encircle the earth with orbiting nuclear warheads. As Sartre noted, the Nazis were the beginning of a new age.

World War II was disconnected utterly from the world of 1914, not only by the First World War, but by the wretched economic catastrophes of 1918 to 1939 which resulted from the failure to reconstruct the basic economic and financial system of pre-1914. Yet Polanyi took seriously these transient and mercurial efforts of the interwar period to "re-establish the gold standard." We now see that episode (next chapter) as an utter failure, based largely upon the gross misunderstanding by contemporary statesmen of what the Gold Standard was—a misunderstanding that Keynes emphasized in his *Economic Consequences of the Peace*. We now see, after fifty years of futile efforts, that peace, total currency convertibility, free trade, freedom of movement of persons and capital between nations, etc.—parts of the stock-in-trade of the pre-1914 system—are exceedingly difficult to achieve again. They were scarcely approached in the interwar experience.

Moreover, this problem of historical scale in *The Great Transformation* is compounded by the fact that Polanyi was to some extent an economic determinist in spite of himself where politics were concerned. This old-fashioned intellectual fad not only dates Polanyi's work markedly, but, as part of his stock of axiomatic knowledge, led him badly astray at some points. Thus he felt that the "balance of power" had been restored by the exhausted belligerents in the 1920s and was wrecked by the stock market crash of 1929 and the Great Depression which followed: "... we shall deal with the collapse of the international system. We shall try to show that the balance-of-power system could not ensure peace once the world economy on which it rested failed."³² We have the advantages of hindsight. From our perspective we see that the interlude in the fighting (1918-1939) was no restoration of any balance of power and, even as a truce between the belligerents of 1918, left much to be desired. The hard truth of the matter is that the so-called balance of power—the changing tides of European alliances during the *Pax Britannica*—was destroyed by universal war in the midst of prosperity in 1914 when the Germans marched against their major trading partners without caring a pfennig for any economic consequences. Such apparent "irrationality" has always been difficult for economic determinists to accept. But a little objectivity in such matters is a great aid to the historian.

These problems of perspective mainly becloud Polanyi's great work only near the end of his historical spectrum. Once this particular myopia is corrected though, Polanyi's contribution is striking, not only for Europe, which was its specific subject, but also for the interpretation of certain aspects of American history, which Polanyi treated only in passing.

Polanyi saw the ubiquitous commercialization of European culture and life under the impact of industrial growth and its attendant institutional supports, both national and international, as something unique in history, special to the nineteenth century, a necessary part of the spreading industrial system, and *utterly utopian* in conception. There never was the slightest chance (to Polanyi) that such a world could last, and it had, accordingly, collapsed with the ending of the Gold Standard (which, as we have noted, he dates in 1931): "... the peculiarity of the civilization the collapse of which we have witnessed was precisely that it rested on economic foundations."³³

As all societies necessarily are circumscribed by their physical means, Polanyi emphasized, there must be command over material resources if anything is going to be accomplished in the realm of intellect and spirit. The question is where the institutions of the marketplace rest within the

³² *The Great Transformation*, Beacon Press, Boston, 1957, p. 4.

³³ *Ibid.*, p. 30.

total fabric of the society. In this respect the materialism of the West was a real curiosity in world history.

Nineteenth century civilization alone was economic in a different and distinctive sense, for it chose to base itself on a motive only rarely acknowledged as valid in the history of human societies, and certainly never before raised to the level of a justification of action and behavior in everyday life, namely, gain. The mechanism which the motive of gain set in motion was comparable in effectiveness only to the most violent outburst of religious fervor in history. Within a generation the whole human world was subjected to its undiluted influence . . . it grew to maturity in England in the wake of the Industrial Revolution, during the first half of the nineteenth century.²¹

To Polanyi the "instinct" to truck, barter, and exchange, which Adam Smith celebrated, had been made into a dogmatic ideal by a sort of secular apotheosis, inspired and promulgated by the classical economics. What the Victorians called the "higher instincts" had been left in the shadow of the profit motive. As a result, a system grew up which was fundamentally antagonistic to one drive basic to all human history, the establishment and maintenance of a stable, cohesive society which served *all* human needs, intellectual and spiritual as well as material. Thus the axioms of Nassau Senior (above) were mere perversions to Polanyi. Life was more complicated than that, and, indeed, we noted that even Alfred Marshall could not swallow the undiluted *laissez faire* line and considered the economic drive subject to religious ideals in his conception of human motivations.

How had the European social system been transformed from the organic society of medieval Europe? In that society social relationships had been based upon a hierarchical foundation, both religious and secular, the land or else church honors being the basis of privilege. Such a world had lasted for a millennium. Economic life had been carefully controlled at all levels by custom and usage, even in the medieval towns where a limited commerce was kept under careful scrutiny by the guilds, as were the volume and conditions of employment. The object of such social control was to suppress tendencies to "abuse" privileged positions, the moneylender, the merchant with scarce commodities, etc. Usury was forbidden, and the rules of manufacture were carefully controlled to maintain quality. The same was true in the recruitment and training of workmen. Also market behavior was controlled, with strict rules against forestalling, engrossing, and regrading. Agricultural labor was, of course, bound to the

²¹ *Ibid.*

land, and service within the feudal system was determined by an infinity of age-old customs. Finally, the land itself, the material basis of society and the fundamental social patrimony, was not sold. To have an economy like that reorganized around a self-regulating market, all of this must be destroyed. Land, labor, and money had to be made salable, turned into "fictitious commodities," as Polanyi put it.

Thus from the early enclosures through the French Revolution and beyond (Austria in 1848, Russia in 1861), feudal relationships were destroyed in order to make room for the "cash nexus." To have a self-regulating market, *all* of the factors of production must enter the market, must be for sale. Labor and land must be freely transferable by money payment and on a free contractual basis. By a long series of institutional reforms, usury became banking, money became a commodity, and interest rates became prices. The history of England from the Industrial Revolution onward, and then in other countries, was a catalog of measures designed to make commodities of all things. "A blind faith in spontaneous progress had taken hold of people's minds, and with the fanaticism of sectarians the most enlightened pressed forward for boundless and unregulated change in society. The effects on the lives of the people were awful beyond description."³⁵

What would society have looked like if the market mechanism had really taken over, if bankers could really be left free to charge the highest rates they could get, if all natural resources were up for grabs in the market, if workers were paid what they were "worth" in the free market, if all production sold at "market" prices, etc.? Polanyi gives a vivid impression regarding labor, a vision of horror which is so terrible that it reminds the reader of almost any contemporary American landscape.

To allow the market mechanism to be sole director of the fate of human beings and their natural environment, indeed, even of the amount and use of purchasing power, would result in the demolition of society. For the alleged commodity "labor power" cannot be shoved about, used indiscriminately, or even left unused, without affecting also the human individual who happens to be the bearer of this peculiar commodity. In disposing of a man's labor power the system would, incidentally, dispose of the physical, psychological, and moral entity "man" attached to that tag. Robbed of the protective covering of cultural institutions, human beings would perish from the effects of social exposure; they would die as the victims of acute social dislocation through vice, perversion, crime, and starvation. Nature would be reduced to its elements, neighborhoods and landscapes defiled, rivers polluted, military safety jeopardized, the

³⁵ *Ibid.*, p. 76.

power to produce food and raw materials destroyed. Finally, the market administration of purchasing power would periodically liquidate business enterprise, for shortages and surfeits of money would prove as disastrous to business as floods and droughts in primitive society.³⁶

But clearly human society could not long endure such horrors; hence there was what liberal economists called "government interference." Land, labor, and money could not be, and were not, left "free" to market forces. Social control came as industrialism developed. As we noted in the case of Britain in an earlier chapter, the Welfare State began to arise almost simultaneously with the free-trade movement. Polanyi saw this "double movement" as the "natural" course of events, not the unattended proliferation of the self-regulating market which so inspired the classical economists: "Social history in the nineteenth century was thus the result of a double movement, the extension of the market organization in respect to genuine commodities was accompanied by its restriction in respect to fictitious ones."³⁷

Thus the long roll of banking legislation, of union history, of legislation to aid and control agriculture, of social welfare legislation, and of collective "controls" in all industrial countries in order that nature not be transformed into a sea of stumps, trash heaps, pollution, and filth, and the people be not reduced to animals. So Polanyi saw it.

To Polanyi, the system of the nineteenth century was thus based upon a fundamental contradiction that could not be resolved, and magnificent as was the edifice thus constructed (read his chapter "The Hundred Years' Peace"), the basic assumption that markets alone could allocate resources was so naïve as to become utopian. Hence the four pillars of the nineteenth-century world were doomed to fall.

Nineteenth century civilization rested on four institutions. The first was the balance-of-power system which for a century prevented the occurrence of any long and devastating war between the Great Powers. The second was the international gold standard which symbolized a unique organization of world economy. The third was the self-regulating market which produced an unheard-of material welfare, the fourth was the liberal state.³⁸

The self-regulating market was utopian, and its failures finally destroyed the Gold Standard. To Polanyi, the demise of the balance of

³⁶ *Ibid.*, p. 73.

³⁷ *Ibid.*, p. 76.

³⁸ *Ibid.*, p. 3.

power and the liberal state were the consequences, and World War II followed. If I were to put a contemporary frame around this, I would say simply that Polanyi's sequence of events was wrong, for reasons discussed earlier. I would argue that the balance of power was what was utopian, and that the First World War killed the Gold Standard forever. The self-regulating market became increasingly an "ideal" of professional economists, especially after the Depression of the 1930s, and the liberal state muddles onward without respect to its so-called economic foundations. It was found in Scandinavia and Britain that the liberal state and socialism went nicely hand in hand.

Polanyi's analysis was directed mainly at European history and institutions. The European and largely English coloration in his historical sections is overpowering and to some extent has limited the appeal of *The Great Transformation*. If we look back at our chapter on the American economy before 1914 and apply Polanyi's scheme to it, we derive some interesting and useful additional interpretive information.

Beginning with the new nation in 1789 we find an absence of the traditional usages of Europe. We have no villeinage, no feudal titles and privileges, no traditional body of social constraints rooted in a monarchy. There was the "peculiar institution" of Negro slavery in which labor was a commodity with a vengeance in one sense. However, the main object of "commodity labor," its free use as a substitute for other inputs, was not present in slavery. Negro labor mobility was less than white because in Negro slavery the labor and the human being were inseparable all day long, and all *life* long, and tied mainly to plantation agriculture. There were usury laws of some effectiveness (and still are in many states). There was also bonded indenture of white labor in the early years of the nineteenth century. But the land was in freehold and there was neither entail nor primogeniture. After the Northwest Ordinances there was a technique for the systematic purchase and settlement of the entire continent and beyond. The marketplace ruled to a greater extent than in Europe. There was little control over natural resource exploitation by individuals, so that whole forests might be cut down (and were); rivers and lakes, ocean beaches, and whole mountains might be privately owned and exploited. The same was true of subsoil minerals, which might even be bought and sold separately from the surface land.

In a Polanyi analysis, a great part of the subsequent social and economic history of the United States can be seen as the slow erection of social defenses against the market economy by the American people, through their governments, acting from the organic society of the growing American nation. We built our own equivalents of European "society" in order to protect a human community which was, shall we say, "stripped"

of European social usages, by the Atlantic Ocean, by the frontier life, by the Revolution and its aftermath. What did we make to replace crown, church, and magistrate?

The answer is, of course, not only the Constitution, but the development of our own hierarchy of nonmarket economic usages and institutions. Almost at the beginning of the new nation's existence, the self-regulating market was put under some social control; e.g., William Penn's Frame of Government for Pennsylvania in 1681 contained quality controls in the markets, land set aside for mulberry trees, an automatic sharing with the crown of precious metals, etc. Such things were there before the Revolution. But the federal government of the new United States was from the beginning an instrument of social control over economic activity. Foremost among these controls was tariff legislation. Free access to the market was declared a "national" prerogative only, and foreign goods could only enter after paying duties. After all, how could infant American industries be expected to develop if they had to compete in a free market with foreigners? And what more American way was there to finance the government than to tax the consumption of foreign goods? Accordingly, on July 4, 1789, a long list of imports was put under the tariffs. As the act stated: "Whereas it is necessary for the support of the government, for the discharge of the debts of the United States, and the encouragement and protection of manufactures, that duties be laid on goods, wares and merchandise imported. . . ."²⁹

Inventors were soon given patent protection; commercial banks came slowly under regulation, first by the states and then, in the National Banking Act of 1863, by the federal government (and later by the Federal Reserve Act of 1914. Two previous central banks had passed into history as we noted earlier). State bar examinations, state medical board examination, licenses, fees, and so forth limited entry into the professions, slightly at first, rigorously later. Government control over land sales and settlement, mechanics' lien laws, controls over waterways, grants of monopolies and financial aid to canal builders and railway entrepreneurs, laws governing shipping on coastal and internal waterways—all these and more represented devices to control, limit, and regulate the markets for goods and services. One form of business enterprise, the breeding and import and sale of Negro slaves, was eliminated from the national life on moral grounds by war from 1861 to 1865. Toward the end of the nineteenth century the railways came under federal regulation with the Interstate Commerce Act (1888). In 1890 came the Sherman Antitrust Act to further regulate and discipline the consequences of the marketplace, in this

²⁹ *United States Customs Laws: 1789-1895*, U.S. Government Printing Office, 1896, p. 9.

case declaring that monopolies achieved by private enterprise were somehow unfair, unethical, and hence illegal (shades of the medieval towns). Government intervention in agriculture and raw materials came in various acts dealing with the disposal of the public domain and in the subsidization of the price of silver in the Silver Purchase Acts; such actions presaged a time when there would be almost universal government controls in these areas. The whole thrust of the Populist demands was for government intervention: in banking, in commodity markets, in land ownership. The Populists wanted the edge blunted. The market economy was too harsh. There came laws about the employment of persons, about safety devices in mines and factories.

In the 1930s the pace accelerated in areas affecting personal security. Organized labor came under the protective arm of government, and in the first New Deal, under the National Industrial Recovery Act (1933), came schemes to virtually eliminate the free market. In the Prohibition Amendment of 1920 the government had attempted to eliminate the business of alcoholic beverages. Similar action since by the federal, state, and local governments in drug traffic, prostitution, gambling, etc., are further communal efforts to eliminate or control the self-regulating market. The social security legislation began the commitment of the community to the old, the very young, those made unemployed by industrial fluctuations, those injured in industrial accidents. In the Employment Act of 1946 the federal government assumed the really stupendous responsibility to guarantee employment. In recent times, control of the self-regulating market has spread further into health with Medicare and Medicaid and with quality controls over manufactures and broadcasters through the federal regulatory agencies. We seem on the edge of significant federal control over the pollution of air and water, over the destruction of the landscape. We are even dabbling with the idea of eliminating poverty by straight federal income supports—thus erasing the “decision” of the marketplace. Moral codes have been attempted in publishing, movies, TV, although here the self-regulating market seems to be turning back the tide of control, exhibiting by free competition what the nation’s culture *really is*. On the list goes.

This is a very short list, in fact, and only indicates the scope and time dimension of our historical effort to control or eliminate the self-regulating market. While the liberal economist might decry this whole history as misguided government interference with nature, Polanyi would only smile and say that in the United States, as in Europe, organic society was protecting itself from the unnatural abuses that industrial growth was making possible in the marketplace.

Vázlat

Rendhagyó tudományos életrajz -- rendhagyó tudományos tevékenység.
Mi volt Polányi? Gazdaságtörténet -- általános szociológia -- gazdaságantropológia. A szokásos tudományos szakágakban való jellemzés nehézsége.

Bizonyos értelemben az egész életmű egyetlen polémia: a gazdasági liberalizmus mint ideológia ellen. Ennek összetevői:

- a gazdaság azonosítása a telelés összes faktorát átfogó piaccal;
- a gazdaság /piac/ mint önszabályozó és önálló egész;
- amely megteremti a maga motivációs szféráját is /"anyagi" és "ideális" motivumok/;
- és ezáltal a maga mozgásával meghatározza a társadalom fejlődését.

Ennek a polémiának a szenvedélyességét magyarázza, hogy ez a liberális ideológia: 1./ jó leírása egy bizonyos társadalmi állapotnak, amelynek fennállása az egész emberiség létét fenyegeti; 2./ maga instrumentuma ennek az állapotnak /amelyet természetesen és általánosnak ábrázol/ mind létrejötté, mind fennmaradása szempontjából. E kritika szenvedélyessége és misszionárius heve -- s ugyanakkor Polányi aggályoskodó tudományos lelkiismeretessége, analitikus hajlamai: a művek belső feszültsége.

Amit Polányi ezzel szembeállít - a gazdaság beágyazottságának gondolata - nemcsak történeti kritikát jelent /a prekap. társadalmakban nem volt így, a gazdaság nemképzett önálló ~~szé~~ szférát/, hanem egyszersmind: 1./módszertani elv, szemléletmód: a totalitás szempontjának alkalmazása a gazdaságtörténetre; a gazdaságtörténet mint társadalomtörténet; 2./ posztulátum, "utópia". Mult, jelen és jövő szempontjának összekapcsolódása a felfogásban.

Great Transformation: az önszabályozó piac mint a 2. forradalomhoz való első alkalmazkodás. Hogyan válik a piac valóban univerzálissá: a három fiktív áru. Épp ebből adódnak a piac alapveszélyei, hisz a föld a természetet, a munka az embert, a pénz a társadalmi kapcsolatokat, ezek áruvá válását jelenti. A tiszta piacgazdaság mint reakciós utópia.

Az elkerülhetetlen társadalmi ellenlépések a piac destruktív hatásával szemben. Társadalom és osztály. A nemzeti szabályozás és a nemzetközi kapcsolatok ellentéte. A krízis. A kibontakozás ~~pers~~ perspektívája: a társadalom uralma a gazdaság felett /ami nem jelent - Marx-szal szemben - a piac teljes felezámolását/.

Már itt jelentkezik a gazdaságtörténeti munkák alapgon-
dolata: a prekapitalista gazdaság "anonimitása" és a fő integrá-
ciós formák elmélete. A továbbiakban: kidolgozni azt a fogalmi
rendszert, amely közös-általános alapot adna ~~az~~ az összehasonli-
tó fejlődéstörténeti vizsgálatok számára: az "analitikus eszközök".
Trade and Market.

A "beágyazottság" értelme a prekap. gazdaságokban: a sa-
játos gazdasági intézményi struktúra és motivációs rendszer hiánya:
a gazdaság nem alkot önálló "szférát".

Polányi módszere: a gazdaság mint folyamat és mint in-
tézmenyrendszer /összefüggés Marx-szal/. A gazdasági élet valósága:
intézmények által tagolt /patterned/ szituációk - szereplők, tár-
gyi közvetítések és operációk /cselekvési formák/. Az intézmények
történeti változása és hatása a cselekvő szubjektumok életére.
Konkrét intézmények /supporting structures/ és intézményi struk-
turák: patterns of integrations. Reciprocitás, redistribúció és
householding rövid jellemzése.

A módszer tudománytörténeti jelentősége. Antropológiai
szempontból: a technikák leírása helyett az intézményi struktúra
elemzése. Gazdaságtörténeti szempontból: a "racionalitásnak" az
"irracionalisból" való kibontakozása helyett a sui generis törté-
neti mivolt megragadása /az europocentrizmus kritikája/. Példa:
archaikus birodalmak és görögség. Mi az elemzés tárgya: termelés
és elosztás problémája /Garlan kritikája/. Az elosztási viszonyok
széles értelme /mint Marxnál/. Ugya[nakkor] definité makroökónómiai
szempont megközelítés - az alapvető termelési egységek közti
globális-integratív kapcsolat. /bizonyos formalitás a megközeli-
tésben; a householding problémája/.

Néhány illusztrációként felhozandó általános gondolat: 1. a piac, kereskedelem és pénz feltételezett őseredeti egységének felbomlasztása; 2. a primitív és ~~gmx~~ archaikus gazdasági tranzakciók heterogeneitása. Példa a konkrét gazdaságtörténeti elemzésre: Babilon /port-of-trade, tamkarum/.

Dahomey-könyv: hogyan teremthető nagyfokú stabilitás és rugalmasság a külső kihívásokkal és megrázkódtatásokkal szemben. piaci kiegyenlítő mechanizmusok nélkül, épp a merev strukturális kötöttségek felhasználásával. Másrészt az állami szféra szerepe, "politika" és gazdaság viszonya.

Polányi ~~érték~~ történelemszemlélete: határozott^{an}/anti-evolucionista, aki a modern indíttatású, antropológiai neoevolucionizmus egyik legfőbb forrásává válik. Evolucionizmus-ellenességének alapforrásai: az önszabályozó piac nem "haladás", az "irracionalizmus" gondolat /a "racionalitás" felé való fejlődés/ visszautasítása, az emberi cselekvés lehetőségeinek hangsúlyozása. Ugyanakkor a domináns patternek fogalma megteremti az evolucionista interpretáció lehetőségét. A Livelihood of Man: az embeddedness-ből való kibontakozás mint történeti folyamat. Primitív, archaikus és modern gazdaság fogalma.

A történelemből adódó perspektíva: az "elmaradott" társadalmak ma. A gyarmatosítás bírálata. Az új ut szükségessége. Polányi és a New Left.

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probably written by his wife after his death
By whom?

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